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IN THE

Supreme Court of the United States

October Term, 1963

No. 517

HARTLEY PEN COMPANY,

Petitioner,

vs.

THE HONORABLE WILLIAM C. MATHES, Judge of the United States District Court for the Southern District of California, Central Division, *et al.*,

Respondents.

HARTLEY PEN COMPANY,

Petitioner,

vs.

FORMULABS, INC., a California Corporation, *et al.*,

Respondents.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

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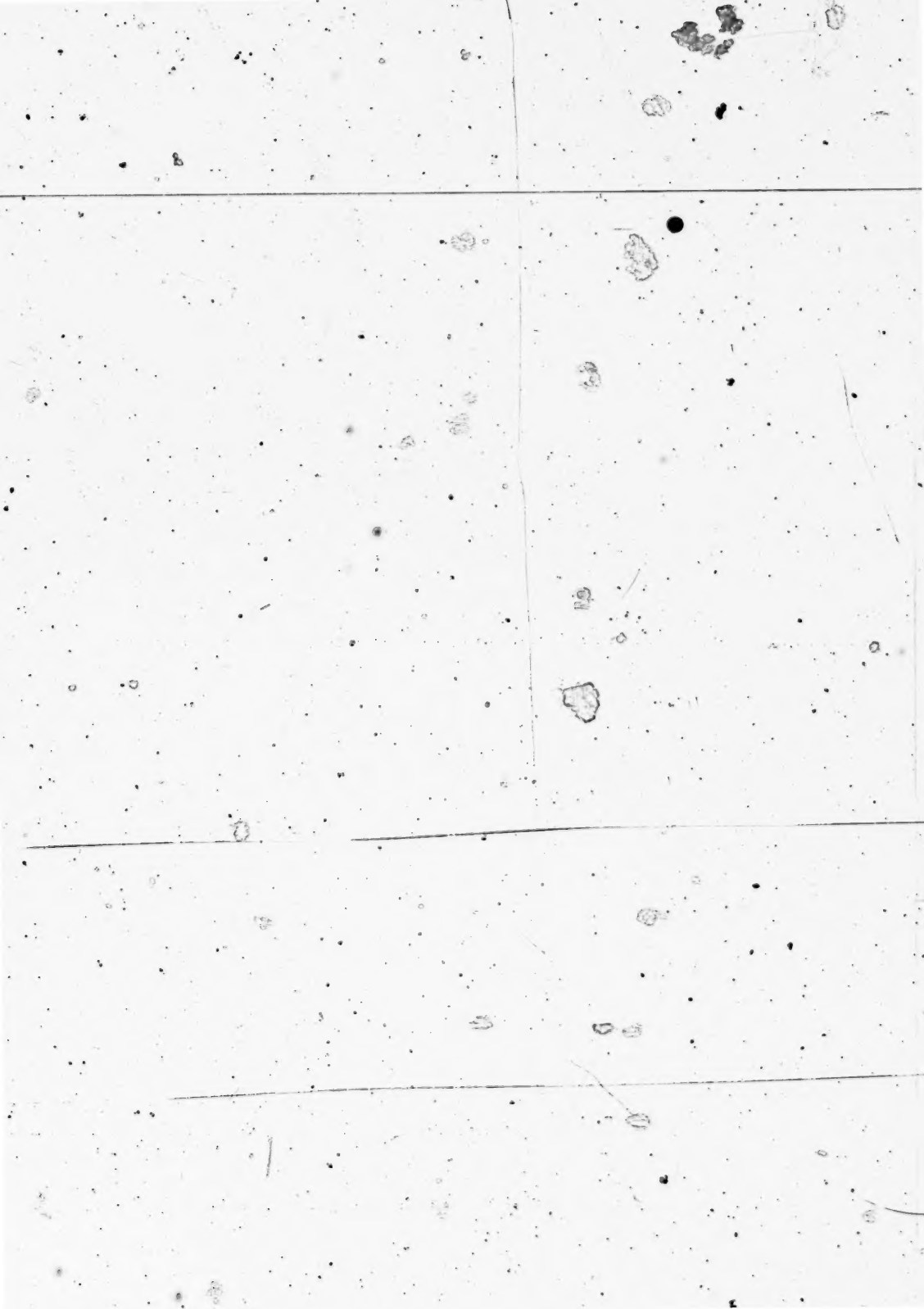

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FORMULABS, INC., a California Corporation, *et al.*,

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Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Hartley Pen Company (hereinafter Hartley) respectfully prays that a writ of certiorari issue to review the *order* (in 17799) and the *judgment* (in 18189) of the United States Court of Appeals For The Ninth Circuit (hereinafter Court of Appeals) entered on May 29, 1963 in the said two numbered causes, which it consolidated and decided in one opinion, arising out of two separate orders, in separate proceedings, in the same main action by Hartley alone against E. I. duPont de Nemours & Company (hereinafter duPont) alone, (originally filed in the Los Angeles Superior Court and removed by duPont), No. 18758WM (hereinafter main action), by the Honorable William C. Mathes, Judge (hereinafter District Judge) of the United States District Court for the Southern District of California, Central Division (hereinafter District Court).

Opinions Below.

The District Court did not write an opinion.

The opinion of the Court of Appeals is reported in 318 F. 2d 485 (Appendix B).

Jurisdiction.

The jurisdiction of the District Court in the main action was invoked under 28 U. S. C. A. 1332 by removal under 28 U. S. C. A. 1441(a) because of the required monetary amount and the diversity of citizenship between Hartley (California) and duPont (Delaware).

The jurisdiction of the Court of Appeals in 17799 was invoked under 28 U. S. C. A. 1651 (by Hartley's petition for extraordinary writs to vacate a discovery order by the District Court in the main action requiring Hartley to disclose trade secrets to duPont after a prior such order had been so vacated in 287 F. 2d 324); in 18180 it was invoked under 28 U. S. C. A. 1291 (by the appeal by respondents Formulabs, Incorporated, a California corporation, Clarence Schreuer, Gordon S. Lacy, Pacific Research Laboratory, a partnership (hereinafter collectively intervenors), all California citizens, from the District Court's order denying their motion to intervene and denying their motion for injunction against Hartley (both motions were based solely upon and limited to the said discovery order).

The said opinion of the Court of Appeals was dated and entered on May 29, 1963. Hartley's petition for rehearing was duly filed on June 28, 1963 and denied on July 6, 1963.

This petition is filed within 90 days thereafter, under 28 U. S. C. A. 2101c and Rule 22, Revised Rules, Supreme Court. This Court's jurisdiction is invoked under 28 U. S. C. A. 1254(1).

The parties in 17799 are: as petitioner, Hartley, a California corporation and citizen and sole plaintiff in the main action, and, as respondents, the District Judge, du Pont, a Delaware corporation and sole defendant in

the main action, and intervenors, all California citizens and none of whom is a party to the main action. In 18180 they are: as petitioner, Hartley, and, as respondents, the intervenors, who seek to intervene in the main action by a complaint against Hartley alone based only upon discovery proceedings therein.

Questions Presented.

1. Has Rule 24a(3) FRCP enlarged the original jurisdiction of the District Court fixed by 28 U. S. C. A. 1332 and has it changed the historic concept of federal intervention, and its basis and scope, as established by this Court and the various Courts of Appeals, so as to permit (and in fact *compel*) a concededly (by the Court of Appeals) unprecedented intervention by intervenors, complete strangers to the main action, under the following circumstances conceded by the strangers and in fact determined by the Court of Appeals:

(1) The intervention is *not* sought in relation to the subject matter of the main action, its issues or its judgment but only in relation to, and during, discovery proceedings therein, pending only between the original parties, Hartley and duPont, and specifically in relation to a *final* discovery disclosure order therein, directed only to Hartley, which order has *not* been and will *not* be made, by specific order of the Court of Appeals, until the intervenors' claims or causes of action, against Hartley only (which are separate and independent of the main action, its subject matter and issues) are first fully tried on their merits, between the intervenors and Hartley only, in the main action, although Hartley has already pending against intervenors an action in the California state court (Hartley v. Formulabs, etc., et al., No. 787,694, filed January 17, 1962, hereinafter state action) fully covering the controversy between them including that for which intervention is sought in the main action.

(2) The intervenors concede that the District Court can make a valid final discovery order requiring Hartley to disclose to duPont but they seek, by intervention, the same District Court to *enjoin Hartley from obeying its own discovery order!*

(3) The intervenors have no interest in, or right or title to, the subject matter of the main action (contrary to the requirements that they do, established by this Court in *Krippendorf v. Hyde*, 110 U. S. 276, *Morgan v. Texas*, 137 U. S. 171 and *Chandler v. Brandtjen*, 296 U. S. 53.

(4) They will not be bound by the judgment therein (contrary to the requirement that they must, established by this Court in *Sutphen v. U. S.*, 324 U. S. 19).

(5) They have no interest and will not participate in any of the issues therein (contrary to this Court's decisions cited in (3)).

(6) They are citizens of the same state as Hartley only.

(7) They have no interest at all of any kind in the main action and do not want to intervene until a final discovery order is made (which is involved in 17799, *i.e.*, only if and when 17799 is first decided adversely to Hartley) and then only as to said order and are intervening prematurely, in any event, only because compelled to do so by order of the District Court and by the Court of Appeals' decision, over their and Hartley's objections.

(8) They will not align themselves with either Hartley or duPont but want to litigate a controversy solely between them and Hartley (contrary to the decisions of this Court in *Krippendorf v. Hyde, supra; Morgan v. Texas, supra; Chandler v. Brandtjen, supra; Columbia Gas & Electric Corp. v. American Fuel and River Co.*, 322 U. S. 489).

(9) They will not take the main action as they find it and they will not limit themselves to the field of liti-

gation open to the original parties therein but inject new and different issues (contrary to this Court's decisions cited in (8)).

(10) They want to try a claim and cause of action in the main action against Hartley alone (in which du-Pont has no interest and will not be involved at all) which is new, different and completely independent of the subject matter and cause of action in the main action (contrary to this Court's decision cited in (8)).

(11) Their independent, new and different claim and cause of action will enlarge the issues of the main action and alter the proceedings thereof (contrary to this Court's decision in *Vinson v. Washington Gas Light Co.*, 321 U. S. 489).

2. Does the Court of Appeals have jurisdiction to review an order of the District Court fixing the basis and scope of intervention, which order (1) not only became final by the passage of time fixed by 28 U. S. C. A. 2107, (2) a prior appeal therefrom by intervenors was dismissed by the same Court of Appeals (in 17598), (3) the order became *functus officio* by intervenors' accepting it and proceeding thereunder followed by subsequent orders, and (4) intervenors accepted the benefits thereof and proceeded thereunder and are thereby estopped (contrary to the jurisdiction of the Court of Appeals fixed by 28 U. S. C. A. 1291 and constituting a usurpation of the power of unlimited retroactive review only by this Court)?

3. As to Rule 24 FRCP.

(1) Is not 24 FRCP an integral rule so that applications for intervention, whether as of right under (a) (1), (2), (3), or permissive under (b) must satisfy the requirement of 24c, i.e. make a motion, stating proper grounds and accompany it with a pleading showing a good "claim or defense for which intervention is sought" and "upon which relief can be granted" (as explicitly required by 24c and as stated in 2 Bar-

ron and Holtzoff, Federal Practice and Procedure Sec. 603, p. 233, n. 99 and 4 Moore's Federal Practice Sec. 24:14, p. 101, n. 1)?

(2) Does the intervenors' pleading in intervention, which is directed to and only involves one specific part of the discovery proceedings and only one discovery order, which only seeks the District Court *to enjoin Hartley from complying with the District Court's own discovery order which directs Hartley to disclose*, state a "good claim or defense upon which relief can be granted" as required by 24c?

4. As to Rule 24a(3) FRCP.

Does not 24a(3) require the following factors to exist before intervention can be affected as of right:

(1) The intervenors must be "*adversely affected.*"

(2) By the Court's "*distribution or other disposition of property*" in its custody or subject to its control or disposition.

(3) Which property is the *subject matter* of the action.

(4) And the intervenors have such an interest *in the subject matter* of the main action that they will *gain or lose* by the *direct legal operation* of the *judgment*?

5. Are not Hartley's constitutional rights to due process (i.e. full opportunity, by a *jury trial*, to determine the separate controversy between itself and intervenors on the license) violated by the Court of Appeals' refusal to decide 17799 (involving the validity of the discovery order) and its determination of 18180 so as to compel intervenors to intervene in the main action to try therein the said separate controversy between them and Hartley whereas intervenors do not claim any right to intervene and do not want to intervene until and only if and when 17799 is first finally determined adversely to Hartley?

6. Regardless of its refusal to decide 17799 (specified in 5), does not the Court of Appeals' unequivocal

determination and construction in 18180 of the license between Hartley and the intervenors (which was not in issue at all in the main action, and which is directly involved in the pending state action between Hartley and the intervenors), violate Hartley's constitutional rights to due process in that there is no issue, no pleading, no opportunity to plead or prove and no trial of, Hartley's claims regarding the license, in the intervention proceedings or in the main action?

7. Are not Hartley's constitutional rights, and the constitutional rights of the State of California, represented by Hartley's maintenance of the said state action, to have the said state action tried by the court of the state of which Hartley and the intervenors are citizens, violated by the decision of the Court of Appeals compelling and permitting intervenors to intervene and litigate the issues of the said state action in the main action in the District Court and does not this violate the constitutional and statutory limits of the jurisdiction of the District Court (all contrary to Article III, Section 1, Constitution and the applicable statutes thereunder fixing the jurisdiction of the District Court including 28 U. S. C. A. 1332 and contrary to the decisions of this Court in *Healy v. Ratta*, 292 U. S. 263, 70 and *Kline v. Burke Construction Co.*, 260 U. S. 226, 33-4)?

Statutes and Rules Involved.

The statutes directly involved in 18180 are 28 U. S. C. A. 1332 (jurisdiction of the District Court) and 28 U. S. C. A. 1291 and 2107 (appellate jurisdiction of the Court of Appeals). The rules directly involved in 18180 are Rules 24(a)(3) and c, FRCP.

The rules which were involved in the District Court's disclosure order which was the subject of Hartley's petition for extraordinary writs in 17706 were FRCP 33 (interrogatories) and 36 (requests for admissions).

Statement of the Case.

Hartley was pre-eminent in the manufacture of ball point pen units, *i.e.*, cartridges with points and filled with inks. In August 1953 it purchased from duPont lots 36 and 37 dyes which were latently defective. The inks which Hartley manufactured with lots 36 and 37 dyes and which were sold to its customers throughout the United States and the world gelled causing most extensive damages, in many millions, beginning in February 1954, to Hartley and its customers. Immediately upon its receipt of such complaint from its customers in February 1954 Hartley notified duPont, furnished it with its records and samples of its said units, inks and its lot 36 dye. DuPont had its own samples of lots 36 and 37 dyes and its work cards (containing all its manufacturing data regarding them). DuPont undertook to determine the cause of the gelling, claimed it conducted tests with plaintiff's samples of inks and dyes (all of which gelled) but claimed not to have made tests with its own samples of 36 and 37 dyes. It eventually denied liability. On August 26, 1955 Hartley filed in the Los Angeles Superior Court the main action against duPont for damages for breach of warranty. Shortly before that date (as it claimed in discovery proceedings) duPont "discarded" all its own samples of 36 and 37 dyes and work cards knowing of Hartley's claims and impending litigation. DuPont removed the main action to the District Court on September 15, 1955 and filed its answer on October 31, 1955. DuPont then sought by interrogatories and motions to inspect disclosure of the formulas Hartley used in making its said inks. These included one formula licensed to Hartley by Formulabs, a partnership (there have been several changes in intervenors' status), by written contract (hereinabove and hereinafter license) providing that Hartley would not *voluntarily* disclose the secret of the formula and would take "all reasonable precaution" against its *involuntary* disclosure. The in-

tervenors at all times knew of Hartley's claims against duPont and of its main action against it and cooperated with and helped Hartley in the preparation of its said claims (including tests before suit) and the main action and knew of the said discovery proceedings by duPont. Hartley opposed the said proceedings on various grounds including that duPont had not shown any cause for it in that, among other things, it had deliberately discarded its samples of lots 36 and 37 dyes and its work cards and could not make proper tests with the secret formula absent lots 36 and 37 dyes and could not obtain information reasonably calculated to lead to the discovery of admissible evidence, as required by 33 FRCP. The District Court (by the late Judge Benjamin Harrison) nevertheless ordered Hartley to disclose the secret formula to DuPont, over Hartley's objections and without protective orders requested by Hartley (in which Formulabs offered to participate). On February 5, 1958 Formulabs, Inc., a corporation (hereinafter Formulabs), claiming ownership of the formula, alone sought to intervene by cross-complaint against Hartley alone. Although it contended the disclosure order was valid it requested the District Court to enjoin Hartley from obeying the District Court's own order to disclose. The District Court denied the motion to intervene on the grounds that it would not make an order enjoining Hartley from obeying its own previous order and that it had no jurisdiction over a controversy solely between Hartley and Formulabs on the license, both being citizens of California, the license not being an issue in the main action, Formulabs concededly having no interest in the subject matter thereof and concededly would not be bound by its judgment, Formulabs' only interest being in preventing Hartley from disclosing under the discovery order. Formulabs appealed. The Court of Appeals in 275 F. 2d 32 (1960) (Appendix F) reversed, holding that the license forbade Hartley from disclosing the disclosure under the dis-

covery order would constitute publication of the trade secret and that Formulabs could intervene, as of right, under 24a(3). [This was an adjudication and construction of the license although there was no issue thereon and Hartley had no opportunity to plead or prove its claims regarding the same. The Court of Appeals' decision stood or fell with its key assumption that disclosure under the discovery order constituted publication of the trade secret. The Court cited no authority to support this statement. In fact it is contrary to the authorities. See 2 Callmann, Unfair Competition and Trademark (2 Ed.) p. 864, *Stone v. Goss*, 65 N. J. Eq. 750, 55 Atl. 736, 38 (pt. 3). *In holding Formulabs could so intervene, as a matter of right, it conceded there was no prior decision to that effect.*] Accordingly Hartley petitioned for rehearing which was denied. It then petitioned for certiorari to this Court which was denied (363 U. S. 830). Formulabs' motion to intervene occurred four years (February 1958) after Hartley first received complaints (February 1954) of gelled inks and notified Formulabs, who cooperated with it in that regard, and about two and one-half years after Hartley filed the main action (1955). Hartley then petitioned for extraordinary writs to vacate the said disclosure order on the ground that duPont had not shown and could not show good cause and the District Court had abused its discretion in making the order. This was granted by the same Court of Appeals in 287 F. 2d 324 (1961) without prejudice to duPont to show that such disclosure "was relevant and necessary to the proper defense by duPont" of the main action. DuPont then filed, on May 31, 1961, additional interrogatories and requests for admissions seeking such disclosure. Hartley opposed this. Upon duPont's motion, the District Court required the intervenors to intervene then if at all. They opposed being compelled to intervene at that time since the only right and need for their intervention was

a final discovery order which had not been made. Being required to do so, they then moved for leave to file a complaint against Hartley alone again seeking to enjoin it from disclosing under the discovery order. Hartley's motion to dismiss the complaint was granted as to all claims and causes of action alleging the controversy solely between the intervenors and Hartley unrelated to the main action but they were granted leave to intervene only to join Hartley in opposing duPont's efforts to obtain disclosure of the formula by discovery proceedings. *They accepted said leave, purported to proceed under it but again pleaded a controversy on the license solely between them and Hartley and based solely upon the discovery order.* The intervenors also appealed from said order (17598). The Court of Appeals dismissed said appeal on December 4, 1961 upon motions by Hartley and duPont. On January 4, 1962 the District Court ordered Hartley to disclose to duPont. It has not done so. Neither Formulabs nor the other intervenors ever proceeded against duPont or the District Court or its disclosure order. They have always conceded they had no interest in the subject matter of the main action and would not be bound by its judgment; that the title to or possession of the trade secret was not at all involved in the main action; that the only way in which the trade secret was involved in the main action was by the disclosure order, with protective measures, in discovery proceedings only; that the issues between Hartley and the intervenors on the intervention pleading were entirely different and separate from those in the main action and were between them alone and not duPont; that the intervenors' claim or cause of action was completely different and independent of the main action; that their pleading was not properly joinable and was not a proper cross-claim under Rules 7(a) and 13(g) FRPC; that their claim did not relate to any property that was the subject matter of the main action and that they asserted a right "forming no part of the

main case and in the assertion of which they join neither plaintiff nor defendant"; that the sole reason for intervening was the discovery proceedings to obtain disclosure of the trade secret; that there was no basis for intervening unless there were a final disclosure order; that to order them to intervene "at this time in the absence of an order injurious to its position . . . is to insist that a third party take part in litigation unnecessarily". On January 17, 1962 Hartley filed the said state action against all intervenors (all parties being California citizens) relating to all their controversies based on the license, which the intervenors were attempting to do in the main action in the guise of intervention. The intervenors answered and this case is at issue and pending. Both the District Court and the Court of Appeals had been informed that Hartley had commenced the said state action against the intervenors. Hartley moved to dismiss the intervention pleadings as not in accordance with the order granting leave but pleading a separate controversy again solely between Hartley and the intervenors unrelated to the main action and not within the District Court's jurisdiction. Hartley also opposed the intervenors' motion for injunction against it seeking the District Court to enjoin it from obeying the District Court's discovery order. These were submitted by the District Court. The intervenors then appealed from the discovery order claiming that it in effect denied their motion for an injunction against Hartley (17741). (17741 is one of three causes consolidated by the Court of Appeals in 318 F. 2d 485 (Appendix B).) Hartley petitioned for writs to vacate the said discovery order on the ground duPont had not shown, and could not show, good cause therefor (17799). (This is also included in the same opinion, 318 F. 2d 485.) On July 11, 1962 the Court of Appeals (306 F. 2d 148) (Appendix A) ordered 17741 remanded to the District Court with a request that court rule on intervenors' motion for injunction against Hart-

ley and also on Hartley's and duPont's motions to dismiss the intervenors' complaint.

The District Court dismissed the intervenors' complaint on the grounds it did not follow its said order granting leave but sought to plead an independent controversy between Hartley and the intervenors alone, over which the District Court had no jurisdiction, and it denied the intervenors' motion for an injunction against Hartley. The intervenors appealed (18180) (this is also included in the same opinion 318 F. 2d 485).

The Court of Appeals in 318 F. 2d 485 dismissed 17741, refused to decide 17799 and reversed in 18180. It ruled, among other things, (1) that although "We have been unable to find any controlling or persuasive decision bearing on the answer to the question under discussion when the problem is viewed in the context presented to us," *i.e.*, the right to intervene to have determined a controversy solely between the intervenors and Hartley and not the, or within the, subject matter of the main action, it held intervenors could intervene as of right; (2) that disclosure under the discovery order would breach the license by a publication of the trade secret.

Although intervenors admitted the sole basis for intervention was a final discovery order, the Court of Appeals refused to determine 17799 (directly involving it) and ruled that it "shall remain unsubmitted until the further order of this Court." It is Hartley's and the intervenors' position that if Hartley's petition for writs (in 17799) is granted and the discovery order vacated, there is no need for intervention, and that should be determined first. The Court of Appeals held that the controversy between Hartley and the intervenors should be determined first, *compelling* the intervenors to intervene *prematurely*, if at all. No party petitioned for rehearing of 17741. Hartley and Foremost labs both petitioned for rehearing of 17799 and re-

quested the Court of Appeals to decide it first before requiring further litigation between Hartley and the intervenors on their separate controversy involved in 18180 and the subject matter of the state action. This was denied. Hartley alone petitioned for a rehearing of 18180. This was denied.

[The record consists of a typewritten certified transcript of record in eight volumes, including typewritten proceedings had in the Court of Appeals (designated as Volume 8). Volumes one through four consist of the record in 17741 which is not at all involved in this petition but which is part of the record before the Court of Appeals in its said decision (Appendix B). Volumes five to seven, inclusive, consist of the record in 18180. Volume 8 consists of the proceedings had in the Court of Appeals in 17799 and 18180.]

Reasons for Granting the Writ.

1. The decision of the Court of Appeals completely departs from the historical concept of federal intervention; by its unprecedented construction of 24(a)(3) it eliminates all distinctions and specific prerequisites for intervention as of right and thereby enlarges the jurisdiction of the District Court so as to include exclusively state court actions between citizens of the same state, all contrary to the decisions of this Court (cited under Questions Presented supra) and of the various courts of appeal (cited infra).

2. It stands alone, not only without precedence, but directly in conflict with the decisions of this Court and the various courts of appeal not only on fundamentals of jurisdiction and intervention but on the application of 24 FRCP, promulgated by this Court, and is therefore completely "out of line with the authorities" and has created a serious question and confusion regarding the intent, meaning and application of jurisdiction, intervention and 24 FRCP. It "has so far departed from the accepted and usual course of judicial proceed-

ings . . . as to call for an exercise of this court's power of supervision" Rule 19, Revised Rules, Supreme Court.

3. This Court's plenary supervisory jurisdiction of the courts of appeal is required in order to effect uniformity of decisions as to jurisdiction, intervention and the application of FRCP 24.

4. The issues involved are most important, live, substantial, permanent and have universal application to all civil actions filed in the United States district courts.

5. The application and effect of the decision is unlimited. It will affect every civil action in which discovery proceedings will be had, which means most if not all of them. It will enable unlimited numbers of persons who are remotely interested only in special phases of the discovery proceedings and not at all otherwise interested in the subject matter or issues of the main action and who will not be bound by its judgment, to "intervene" to litigate with only one of the original parties a completely separate and independent state court controversy between the intervenors and the one party. It will most substantially, unnecessarily and improperly add to the already overburdened case load of the United States district courts, courts of appeal and this Court.

6. It will to all intents and purposes practically destroy civil actions for damages for breach of warranty, of contracts and similar causes of action, which indirectly involve multiple owners, licensors, licensees and others. For example, millions of TV sets, mechanical, chemical and other products are sold. Their manufacture is made under myriad licenses and contracts. In inevitable litigation for price, breach of warranty, of contract and other causes of action, discovery proceedings will be had in which the parties will seek disclosure of trade secrets, details of licenses, contracts and other rights and information. Under proper circumstances the district courts will order disclosure orders in discovery proceedings under 30-36 FRCP. The

decision of the Court of Appeals will permit licensors, other owners, other parties to the contract, or even other licensees, to "intervene". This may involve thousands of such "intervenors", each of whom will then separately try the separate controversy with only one of the parties. For specific example, at first only Formulabs claimed the right to so "intervene" as the owner of the formula. Now a total of four intervenors claim ownership. They have admittedly licensed the same formula to "many" licensees, including to some of the intervenors themselves, in competition with Hartley (who pioneered and established the formula and intervenors) each of whom could then "intervene".

This would have (as it has had in this case) a harsh and serious detrimental result. The main action has been pending for eight years (since August 1955) without a pretrial preparatory for trial, and such pretrial and trial appear more remote than ever.

7. It will affect the entire field of sales and breach of warranty actions. No licensee can ever complete his civil action since his licensor or other licensees can intervene to enjoin his compliance with discovery orders and thus force a dismissal of his action (which is the result sought by the intervenors in this case).

8. It conflicts with the decisions of this Court in each of the particulars specified in the Questions Presented *supra*.

9. It also conflicts with the following decisions of the various courts of appeal on the following various points: under Questions Presented 1(8) and (9) *Hirshorn v. Mine Safety Appliances Co.* (3rd Cir.), 193 F.2d 489 and *Carpenter v. Wabash Ry. Co.* (8th Cir.), 103 F.2d 996.

It has so construed 24 FRCP as to enlarge federal jurisdiction in conflict with the explicit provisions of 82 FRCP and contrary to the constitutional and statutory jurisdiction of the district courts and is in direct

conflict with *Bantel v. McGarth* (10th Cir.), 215 F.2d 297.

10. Regarding 24 FRCP it held, in effect, that it is not an integral rule and that 24(c) is not involved in an application for intervention as of right under 24(a)(3). It held this in the first instance in 275 F.2d 52 (Appendix F) and currently in its present decision 318 F.2d 485 (Appendix B). FRCP 24 is patently an integral rule and 24(c) explicitly states that *anyone* desiring to intervene must proceed as therein provided. It accordingly applies to 24(a) and (b). It is submitted obvious that no court which has ordered any party in an action before it to do certain things will make another order, at the request of a third party, directing the first party not to comply with its first order. This is what intervenors' pleading seeks. The pleading does not ask that the first order be vacated but concedes its validity and asks the court to do an absurd and inane thing. The pleading does not plead "a good claim upon which relief can be granted" under 24(c).

11. It directly conflicts with decisions of the following courts of appeal which have held regarding 24(a)(3) as follows:

> "Rule 24(a)(3), Federal Rules of Civil Procedure, 28 U.S.C.A., permit anyone upon a timely application to intervene in an action as a matter of right when the applicant is so situated as to be adversely affected by a distribution of property in the custody of the court or of an officer thereof, and *the law is well settled*, that to authorize an intervention, the intervenor must have an interest in the *subject matter of the litigation* of such a nature that he will gain or lose by the direct legal operation of the *judgment*."

Pure Oil Co. v. Ross (7th Cir.), 170 F.2d 651;

Dowdy v. Hazefield (D.C. Cir.), 189 F.2d 637, cert. den. 324 U.S. 830;
Kelley v. Summers (10th Cir.), 210 F.2d 665;
Peckham v. Ronrico Corp. (1st Cir.), 211 F.2d 727.

These requirements are so well settled as to have become a rule for text headings.

35-A C.J.S., Federal Civil Procedure, Sec. 135, pp. 216-217.

The Court of Appeals' decision in 275 F. 2d 52 (Appendix F) is cited as the sole exception in conflict with said text (see 1963 pocket parts of said text, p. 11).

Accordingly, the applicant for intervention must be *bound* by the judgment.

Sutphen Estates v. United States, 342 U. S. 19.

This is not only sound law but sound logic and necessary in the proper administration of justice. Intervention, in its very nature, is a participation in the main action, as a party, aligned with one or the other of the original parties, regarding the subject matter thereof. Otherwise, anyone can "intervene" regarding any minute, interlocutory, incidental matter and this can be multiplied infinitely.

12. The decision holds: (1) That a *judgment* is *not* necessary at all; (2) that an incidental discovery order which orders disclosure of a trade secret, for discovery purposes only (which is not in issue or the subject matter of the main action and which is not affected by the judgment), is within 24(a)(3); (3) that disclosure under a discovery order, with protective measures, for that limited purpose, constitutes "distribution" or "other disposition" of "property" and that it is "subject to the custody or control" of the court, within 24(a)(3) (although it is not in issue or the subject matter, and will not be adjudicated by the judgment); (4) that anyone having any interest in the license (this

can mean not only the licensor but all other licensees) is adversely affected by a discovery order (which, of course, does not pass title or possession or in any way affect the ownership or use of the trade secret except to disclose it for discovery purposes only); (5) that a disclosure under a discovery order is equivalent to a general publication to the world. (This is not only contrary to the authorities noted *supra*, but if it were so the whole discovery plan of the FRCP would be ineffectual since its provisions for discovery and protective orders would be futile in the view of the Court of Appeals.)

It completely misconceives the concept of "property" under the "control or custody of the court" in conflict with this Court's decision in *Hoffman v. McClellan*, 267 U. S. 552, in which the District Court did much more than the discovery order involved in this case; *i.e.*, it had *adjudicated ownership* of interest in a trust, and *prohibited delivery* by the trustee except under conditions and the court's order and had *retained jurisdiction* over the trust. This Court held that the District Court had *not* "drawn unto itself the custody and control of the property" and it affirmed the denial of intervention. Hoffman clearly distinguished between a court's custody and control of the property and its orders relative thereto.

3. The decision holds that 24(a)(2) requires two factors, inadequate representation and the applicant for intervention must be bound by the judgment, but that 24(a)(3) does not require that applicant be bound by the judgment. This construction would make unnecessary 24(a)(2) for the following reasons: 24(a)(3) would be all-encompassing and under it anyone could intervene, whether or not represented, whether adequately represented, whether inadequately represented, when the judgment was binding, when it was not binding or when there was no judgment at all. This would

cover all the situations of 24(a)(2) (which would still require the existence of the two factors, as the same court of appeals held in *Farmland Irrigation v. Dopplmaier* (9th Cir.), 220 F. 2d 247).

14. Hartley has rights under the license and causes of action against the intervenors thereon. It is entitled to plead in that regard, to frame issues and have them tried by a jury. It has never been given this opportunity yet the Court of Appeals has unequivocally adjudicated and construed the license, as noted *supra*. The Court of Appeals refused to decide 17799 which tests whether the discovery should be made under the discovery order. If not there will be no intervention. The same Court of Appeals already vacated a prior similar order in 287 F. 2d 324. Rather than make this determination it holds this in abeyance and compels the intervenors to intervene although the only basis for their intervention, *i.e.*, a final discovery order, is nonexistent. This should be rectified and 17799 first determined.

15. The controversy between the intervenors and Hartley is solely between them, both citizens of California. It is already pending in the California state court. Compelling the trial thereof in the main action under the guise of intervention deprives the California state court of the constitutional right to try state court litigation between its own citizens and deprives Hartley of its constitutional right to have the state action tried in the court of the state of its residence.

16. This Court has granted certiorari to determine important questions of federal procedure, including discovery proceedings in the following, among other cases: *Carpenter v. Winn*, 221 U. S. [illegible]; *Westinghouse v. Wagner Mfg. Co.*, 225 U. S. 604; *Hickman v. Taylor*, 329 U. S. 495; *Upshaw v. U. S.*, 335 U. S. 410. In *Carpenter* the question involved was whether

discovery could be required before or at the trial under old Section 24, Revised Statutes, this Court stating: "The statute has never been construed by this Court." In *Westinghouse* the question was who had the burden of proof in patent cases. In *Hickman* questions regarding discovery proceedings under FRCP were involved. In *Upshaw* 5a FRCP was involved. It is respectfully submitted that the questions involved in *this* case are of broader and more fundamental importance, *i.e.*, jurisdiction and intervention.

17. Great injustice will result from the decision, generally to all litigants as noted *supra*, and particularly to petitioner, whose main action has been pending for eight years.

Conclusion.

Petitioner most urgently and respectfully prays that this Court grant certiorari in this case and reverse 18180 and direct the Court of Appeals to decide 17799.

Dated: October 1, 1963.

Respectfully submitted,

OWEN A. BARTLETT and A. V. FALCONE,
By A. V. FALCONE,
Attorneys for Petitioner Hartley Pen Company.

APPENDIX A.

Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, Appellants, v. Hartley Pen Company, Appellee, and E. I. du Pont de Nemours & Company, Appellee.

Hartley Pen Company, a California Corporation, doing business as The Hartley Co., Petition, v. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, Central Division, Respondent, E. I. du Pont de Nemours & Company, a Delaware Corporation, and the Real Party in Interest, Respondent, Formulabs, Incorported, a California Corporation; Clarence Schreur individually; Gordon S. Lacy, individually; Pacific Research Laboratory, a partnership, Respondents.

Nos. 17741, 17799.

United States Court of Appeals
Ninth Circuit.

July 11, 1962.

As Corrected July 31, 1962.

Action by licensee of right to use secret formula against manufacturer for breach of warranty, wherein manufacturer filed interrogatories and requests for admissions which would require disclosure of formula, and licensor intervened and sought to enjoin disclosure. The United States District Court for the Southern District of California, Central Division, in No. 17741, William C. Mathes, J., entered order that licensee answer interrogatories and requests, and licensor appealed. Licensee was granted leave in No. 17799 to petition for prohibition and mandamus to have order set aside as abuse

of discretion. The Court of Appeals, Jertberg, Circuit Judge, held that where motion of licensor for preliminary injunction remained pending, submission of appeal would be vacated and remanded with request for expeditious ruling on the motion for preliminary injunction, and submission of cause for writ would also be vacated.

Order in accordance with opinion.

Courts 404, 406.9(8)

Where motion by licensor to enjoin licensee of right to use secret formula from disclosing formula to manufacturer sued by licensee was pending, and licensor sought to appeal from order directing licensee to answer manufacturer's interrogatories and requests for admissions which would require disclosure, and licensee sought extraordinary writ to set aside disclosure order, submission of licensor's appeal would be vacated and cause remanded with request for expeditious ruling on the motion, and submission of cause for the writ would also be vacated.

William Douglas Sellers, Pasadena, Cal., for appellants Formulabs, Inc.

Owen A. Bartlett and A. V. Falcone, Los Angeles, Cal., for Hartley Pen Co.

Lawler, Felix & Hall and Robert Henigson, Los Angeles, Cal., for E. I. du Pont de Nemours & Co.

Before Barnes, Hamley and Jertberg, Circuit Judges.

Jertberg, Circuit Judge.

The matters before us in the above causes have their genesis in an action instituted by Hartley Pen Com-

pany, an appellee in No. 17741 and the petitioner in No. 17799, against E. I. du Pont de Nemours & Company, etc., an appellee in No. 17741 and a respondent in No. 17799, for damages for breach of warranty. Formulabs, Incorporated, Clarence Scheur and Gordon S. Lacy, etc., are appellants in No. 17741 and respondents (sometimes referred to as intervenors) in No. 17799. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, Central Division, is a respondent in No. 17799.

For convenience the parties will be referred to respectively as "Hartley," "du Pont," "Formulabs," and "District Court."

In order to place the parties in proper posture and to consider the questions presented by these two causes, it is necessary to review prior proceedings in the Court below and in this Court.

Hartley manufactures ball point pens containing cartridges filled with ink made under a secret formula comprising a trade secret belonging to Formulabs. The use of the secret formula by Hartley was under the terms of a written license agreement with Formulabs.[1]

The ink manufactured by Hartley and placed in the cartridges incorporated a dye purchased by Hartley from du Pont. In August 1953, du Pont sold to Hartley

[1]The license agreement states that Formulabs is the owner of a secret formula for making ball point ink which Hartley, engaged in the manufacture of ball point pens, desired to use in the manufacture of ink. Under the license agreement Hartley agreed, among other things, that it would not "in any way or manner make known, divulge or communicate the secret of said formula to any person or persons whomsoever, and will take all reasonable precaution against the secret of said formula being learned or acquired by any unauthorized person or persons."

blue B dyes from Lots 36 and 37. The complaint filed by Hartley against du Pont alleges that the inks made by Hartley using dyes from Lots 36 and 37 proved to be defective and unmarketable. Hartley claims that it suffered general and special damages in large amounts as the proximate result of the alleged defective and unmarketable dye.

As part of its discovery proceedings, du Pont sought, by interrogatories, to learn Formulabs' secret formula used by Hartley in the formulation of the alleged defective ink using the alleged defective dye, Lots 36 and 37, as well as certain of Formulabs' secret test procedures which had been disclosed to Hartley.

Formulabs moved the District Court to intervene in the pending action between Hartley and du Pont on the ground that the property affected belonged to it and that its right of ownership would be seriously injured and destroyed by disclosure of the trade secrets. Formulabs proposed cross-complaint prayed that Hartley be enjoined from disclosing such trade secrets. The District Court entered a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, 28 U.S.C.A., denying Formulabs' petition for intervention. On appeal, this Court held that under the plain language of Rule 24(a)(3),[2] Formulabs had a right to intervene in the action, and reversed the order of the District Court denying intervention. Formulabs, Inc.

[2]Rule 24 of the Federal Rules of Civil Procedure, in pertinent part, provides: "(a) Intervention of Right. Upon timely application anyone shall be permitted to intervene in an action: (1) * * *; or (2) * * *; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof." As amended Dec. 27, 1946, eff. March 19, 1948.

v. Hartley Pen Company, et al., 275 F.2d 52 (9th Cir. 1960) cert. denied 363 U.S. 830, 80 S.Ct. 1600, 4 L.Ed. 2d 1524.

On du Pont's motion for production and inspection, the District Court granted du Pont the right to inspect documents in Hartley's custody or under its control. It was conceded that such inspection would presumably disclose the secret formula and the secret test procedures.

This Court granted Hartley leave to file its petition for writ of prohibition and for writ of mandate, either or both in the alternative, and for other relief, and issued an order to show cause. Basically, the petition sought to have set aside by this Court the orders of the District Court requiring disclosure of the secret formula and the secret test procedures. This Court ordered that a writ of mandamus issue to the District Court and the Judges thereof, directing the setting aside of those portions of the orders made by the District Court which required disclosure of the secret formula and the secret testing procedures, without prejudice, however, to du Pont's right to thereafter initiate such discovery procedures as might be proper in an endeavor to establish that disclosure of the secret formula or the secret testing procedures, or both, was or were relevant and necessary to the proper defense by du Pont of the damages action pending in the District Court. Hartley Pen Company v. United States District Court for the Southern District of California, Central Division et al., 287 F.2d 324 (9th Cir. 1961).

Following the return of the mandate of this Court to the District Court, du Pont initiated new discovery pro-

cedures against Hartley by way of interrogatories and requests for admissions, and by order signed January 10, 1962, and filed on January 11, 1962, Hartley was ordered over its objections to answer the interrogatories and requests for admissions and to do so on or before February 2, 1962. The order of the District Court contained certain protective provisions. It is not seriously questioned that the answers to the interrogatories and requests for admissions will require the disclosure of the secret formula. Formulabs appealed to this Court from said order and said appeal forms the subject matter of Cause No. 17741.

We granted leave to Hartley to file its petition for writ of prohibition and for writ of mandate, either or both in the alternative, and for other relief, and issued an order to show cause directed to the District Court, du Pont and Formulabs. This petition seeks to have set aside by this Court the order of the District Court signed January 10, 1962, and filed January 11, 1962. Such order has been stayed by this Court to the extent that Hartley is relieved of the obligation to make, and is enjoined from making, any disclosure to any third party of any trade secrets belonging to Formulabs pending the further order of this Court.

In substance, Hartley contends, for the reasons assigned in its petition, that the District Court was guilty of an abuse of discretion under the circumstances of the case in making and signing the disclosure order, and prays that an extraordinary writ be issued.

A proper consideration and disposition of Hartley's petition is hampered by the fact that it is inextricably intertwined with the questions presented to us in Cause No. 17741. As previously noted, Formulabs appealed

from the disclosure order signed January 10, 1962 and filed January 11, 1962. Hartley and du Pont have moved to dismiss the appeal on the ground that the order appealed from by Formulabs is not a final appelable order. Formulabs concedes that the order appealed from is not a final order as it relates to Hartley and du Pont but contends that the effect of the order is tantamount to an order denying Formulabs the relief which it seeks, i.e., to prevent Hartley from disclosing Formulabs' trade secrets. Formulabs' contention proceeds on the premise that if Hartley discloses the trade secrets pursuant to the disclosure order, its efforts in the District Court to enjoin such disclosure by Hartley will be evanescent. For that reason, Formulabs urges us to accept the appeal as a petition for a writ of mandamus, prohibition, or other writ for relief in the event we should conclude that the order appealed from is not an appealable order.

In order to place Formulabs' position in proper focus, it is necessary to partially review certain proceedings in the District Court. On August 9, 1961, Formulabs filed in the District Court a new complaint entitled "Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy," in accordance with permission of the Court as given at a hearing held on July 31, 1961. This complaint embraces one cause of action against Hartley and seeks to enjoin Hartley from disclosing the trade secrets contrary to the licensing agreement. (See footnote 1, supra.) On the same day Formulabs filed their motion for a preliminary injunction seeking to enjoin Hartley from making such disclosures, the hearing being noticed for August 21, 1961, which hearing was continued by order of the

Court to September 11, 1961. On August 30, 1961, Hartley filed its motion to dismiss the complaint in intervention, and du Pont filed a similar motion on August 31, 1961. On September 11, 1961, the motion for a preliminary injunction was not heard but was continued to a future date. On the same day the Court dismissed the complaint in intervention but later in the hearing vacated the order of dismissal. The result is that Formulabs' motion for a preliminary injunction and the motions to dismiss the complaint in intervention remain pending and undecided in the District Court insofar as the record before us reveals. This situation places this Court in an untenable position in respect to both causes now under review. If this Court should deny Hartley's petition for an extraordinary writ, such action may be nullified if the District Court should later grant Formulabs' motion to enjoin Hartley from making the disclosures; or if disclosure should be made by Hartley prior to a hearing on Formulabs' motion to enjoin Hartley, Formulabs may be deprived of their opportunity to protect their property rights in the trade secrets. If this Court should grant du Pont's and Hartley's motion to dismiss Formulabs' appeal in No. 17741 on the ground that the order appealed from is not an appealable order, disclosure might occur before there is entered by the District Court an order adverse to Formulabs which is appealable. If this Court should construe Formulabs' appeal as a petition for an extraordinary writ, it would be required to pass upon matters which remain pending and undecided in the District Court.

To the end that a proper disposition may be made of the proceedings before us and in aid of the appellate jurisdiction of this Court, we have concluded: (a) to

vacate the submission in Cause No. 17741 and to remand said cause to the District Court with the suggestion and request that the District Court expeditiously rule upon Formulabs' motion for a preliminary injunction and du Pont's and Hartley's motions to dismiss the complaint in intervention. In the event that the party or parties adversely affected by such ruling or rulings shall appeal from such ruling or rulings, such appeal or appeals shall be consolidated with the present appeal in Cause No. 17741 and with the petition in Cause No. 17799, and said Cause No. 17741 and the new appeal or appeals shall be submitted to this Court, without further oral argument on the briefs on file, the present record on appeal supplemented by the record of proceedings had in the District Court upon remand, and supplemental opening, answering and reply briefs on the legal question or questions presented by such new appeal or appeals. If no appeal shall be taken from the ruling or rulings of the District Court on remand, said Cause No. 17741 shall be resubmitted upon the expiration of the time provided for the taking of an appeal; and (b) to vacate the submission of Cause No. 17799, the same to be deemed resubmitted without further oral argument on the present records and briefs upon resubmission of Cause No. 17741.

It is so ordered.

APPENDIX B.

Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, Appellants, v. Hartley Pen Company, Appellee, and E. I. DuPont de Nemours & Company, Appellee.

Hartley Pen Company, a California Corporation, doing business as The Hartley Co., Petitioner, v. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, Central Division, Respondent, E. I. DuPont de Nemours & Company, a Delaware Corporation, and the Real Party in Interest, Respondent, Formulabs, Incorporated, a California Corporation; Clarence Schreur, individually, Gordon S. Lacy, individually, Pacific Research Laboratory, a partnership, Respondents.

Formulabs, Incorporated, a corporation, Clarence Schreur, and Gordon S. Lacy, individuals doing business as Pacific Research Laboratory, a co-partnership, Appellants, v. Hartley Pen Company, a corporation, doing business as The Hartley Co.; and E. I. DuPont de Nemours & Company, a corporation, Appellees.

Nos. 17741, 17799, 18180.

United States Court of Appeals

Ninth Circuit.

May 29, 1963.

Rehearings Denied in Nos. 17741 and 17799 July 9, 1963.

Ink manufacturer brought action against dye manufacturer for damages on ground that dye supplied by dye manufacturer was defective. The United States District Court for the Southern District of California,

Central Division, William C. Mathes, J., entered an order directing ink manufacturer to answer interrogatories and requests for admissions concerning third parties' trade secrets used by the ink manufacturer, entered an order dismissing the complaint in intervention of third parties, and entered order denying motion of third parties for preliminary injunction. The third parties appealed, and a petition was filed in Court of Appeals for writ of prohibition and mandate. The Court of Appeals, Jertberg, Circuit Judge, held that the complaint in intervention of the third parties would be regarded as ancillary or auxiliary to the main action and was not required to be supported by independent ground of federal jurisdiction, and that the third parties were entitled to intervene to assert their rights in trade secrets against the manufacturer of ink and to seek protection against disclosure of trade secrets by the ink manufacturer.

Judgment of dismissal of complaint in intervention reversed, and order denying motion for preliminary injunction vacated and set aside, and appeal from order directing ink manufacturer to answer interrogatories and requests for admissions dismissed.

See also 306 F. 2d 148.

1. Courts 313

Where jurisdiction of original action is founded on diversity of citizenship, citizenship of intervenor cannot oust jurisdiction since diversity jurisdiction once attached cannot be ousted by subsequent change in citizenship of parties.

2. Courts 264(1)

Intervenors' complaint in diversity action would be regarded as ancillary or auxiliary to main action and was not required to be supported by independent ground of federal jurisdiction. Fed. Rules Civ.Proc. rule 24, 28 U.S.C.A.

3. Federal Civil Procedure 331

Where ink manufacturer brought action against dye manufacturer for damages on ground that dye supplied by dye manufacturer was defective, and ink manufacturer was ordered to answer interrogatories and requests for admissions which would require disclosure of third parties' secret formula used by ink manufacturer, third parties were entitled to intervene to assert their rights in trade secrets and to seek protection against their disclosure by ink manufacturer. Fed.Rules Civ. Proc. rule 24, 28 U.S.C.A.

4. Courts 405(12.13)

Order of federal District Court directing plaintiff to answer interrogatories and requests for admissions filed by defendant was not final order from which appeal would lie.

William Douglas Sellers, Pasadena, Cal., for Formulabs.

Owen A. Bartlett and A. V. Falcone, Los Angeles, Cal., for Hartley Pen Co.

Lawler, Felix & Hall, and Robert Henigson, Los Angeles, Cal., for E. I. duPont de Nemours & Co.

Before Barnes, Hamley and Jertberg, Circuit Judges.

Jertberg, Circuit Judge.

Since the above-entitled causes are to be disposed of in one opinion, a review of certain past proceedings in the District Court and in this Court may conduce to a better understanding of the problems presented in the various causes and place each party in proper focus.

The matters before us in the above causes are rooted in an action instituted by Hartley Pen Company against E. I. du Pont de Nemours & Company for damages for breach of warranty.

Hartley Pen Company is the petitioner in No. 17,799 and an appellee in No. 17,741 and No. 18,180. E. I. du Pont de Nemours & Company is a respondent in No. 17,799 and an appellee in No. 17,741 and No. 18,180. Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, etc., are appellants in No. 17,741 and No. 18,180 and respondents in No. 17,799. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, is a respondent in No. 17,799.

For convenience, Hartley Pen Company will be referred to as "Hartley", E. I. du Pont de Nemours & Company as "du Pont", Formulabs, Incorporated as "Formulabs", the Honorable William C. Mathes as "District Court", and Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, collectively, as "Intervenors".

Hartley manufactures ball-point pens containing cartridges filled with ink made under a secret formula comprising a trade secret belonging to Intervenors.[1] The use of secret formula by Hartley was under the terms of a written license agreement with Formulabs.

[1] The license agreement states that Formulabs is the owner of a secret formula for making ball point ink which Hartley, engaged

The ink manufactured by Hartley and placed in the cartridges incorporated a dye purchased by Hartley from du Pont. In August 1953, du Pont sold to Hartley blue B dyes from Lots 36 and 37. The complaint filed by Hartley against du Pont alleges that the inks made by Hartley using dyes from Lots 36 and 37 proved to be defective and unmarketable. Hartley claims that it suffered general and special damages in large amounts as the proximate result of the alleged defective and unmarketable dye.

As part of its discovery proceedings, du Pont sought, by interrogatories, to learn Formulabs' secret formula used by Hartley in the formulation of the alleged defective ink using the alleged defective dye, Lots 36 and 37, as well as certain of Formulabs' secret test procedures which had been disclosed to Hartley.

Formulabs moved the District Court to intervene in the pending action between Hartley and du Pont on the ground that the property affected belonged to it and that its right of ownership would be seriously injured and destroyed by disclosure of the trade secrets. Formulabs' proposed cross-complaint prayed that Hartley be enjoined from disclosing such trade secrets. The District Court entered a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, 28 U.S.C.A., denying Formulabs' petition for intervention. On appeal, this Court held that under the plain language

in the manufacture of ball point pens, desired to use in the manufacture of ink. Under the license agreement Hartley agreed, among other things, that it would not "in any way or manner make known, divulge or communicate the secret of said formula to any person or persons whomsoever, and will take all reasonable precaution against the secret of said formula being learned or acquired by any unauthorized person or persons."

of Rule 24(a) (3).[2] Formulabs had a right to intervene in the action, and reversed the order of the District Court denying intervention. Formulabs, Inc. v. Hartley Pen Company; et al., 275 F.2d 52 (9th Cir. 1960) cert. denied 363 U.S. 830, 80 S.Ct. 1600, 4 L.Ed. 2d 1524.

On du Pont's motion for production and inspection, the District Court, the Honorable Benjamin Harrison, now deceased, presiding, granted du Pont the right to inspect documents in Hartley's custody or under its control without protective provisions. It was conceded that such inspection would presumably disclose the secret formula and secret test procedures.

On petition of Hartley to this Court for an extraordinary writ, this Court ordered a writ of mandamus to issue to the District Court and the judges thereof, directing the setting aside of those portions of the orders made by the District Court which required disclosure of the secret formula and the secret testing procedures, without prejudice, however, to du Pont's right to thereafter initiate such discovery procedures as might be proper in an endeavor to establish that disclosure of the secret formula, of the secret testing procedures, or both, was or were relevant and necessary to the proper defense by du Pont of the damage action pending in the District Court. Hartley Pen Company v. United States

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[2]Rule 24 of the Federal Rules of Civil Procedure, in pertinent part, provides: "(a) Intervention of Right. Upon timely application anyone shall be permitted to intervene in an action: (1) * * *; or (2) * * *; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof." As amended Dec. 27, 1946; eff. March 19, 1948.

District Court for the Southern District of California, Central Division et al., 287 F.2d 324 (9th Cir. 1961).

Following the return of the mandate of this Court to the District Court, du Pont initiated new discovery procedures against Hartley by way of interrogatories and requests for admissions, and by order signed January 10, 1962 and filed on January 11, 1962, Hartley was ordered over its objections to answer the interrogatories and requests for admissions and to do so on or before February 2, 1962.

It is not seriously questioned that the answers to the interrogatories and requests for admission will require the disclosure of the trade secrets. While the order contains protective measures devised by the District Court for the preservation of the trade secrets upon disclosure by Hartley to du Pont, and which measures appear to be as effective as may reasonably be devised, considering the purpose to be served, nevertheless, it is not seriously questioned that disclosure to du Pont portends general publication of the secrets during the course of future proceedings in the main action.

We granted leave to Hartley to file its petition for writ of prohibition and for writ of mandate, either or both in the alternative, and for other relief, and issued an order to show cause directed to the District Court, du Pont and Intervenors. This petition seeks to have set aside by this Court the order of the District Court signed January 10, 1962 and filed January 11, 1962. Such order has been stayed by this Court to the extent that Hartley is relieved of the obligation to make, and is enjoined from making, any disclosure to any third party of any trade secrets belonging to Intervenors pending the further order of this Court.

In substance, Hartley contends, for the reasons assigned in its petition, that the District Court was guilty of an abuse of discretion, under the circumstances of the case in making and signing the disclosure order, and prays that an extraordinary writ be issued. This is the cause presented to us in No. 17,799.

We will now posture Cause No. 17,741. In doing so, we deem it unnecessary to review the efforts of Intervenors to intervene in the main action pending in the District Court between Hartley and du Pont by the filing of various pleadings in intervention. Suffice it to say that a hearing held on July 31, 1961, the District Court in part stated:

> "So the leave, Mr. Sellers (counsel for Intervenors) is to file a complaint in intervention joining the Hartley Pen Company, the plaintiff, in opposing the efforts of the defendant to compel disclosure of the secret formula.
>
> "Now, the motion of Schreur and Lacy to intervene and join Formulabs is granted to that extent, and otherwise denied; to the extent, namely, that Schreur and Lacy may join with Formulabs in this complaint in intervention, asserting essentially the first cause of action asserted in the First Amended Pleadings of the Intervenor filed July 17, 1961, with a prayer that the court not compel disclosure of the trade secrets and for all other proper relief, if you are so advised."

On August 9, 1961, there was filed a new or amended complaint entitled "Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy," in purported accordance with permission given

at the hearing held on July 31, 1961. On the same day the Intervenors filed their motion for preliminary injunction seeking to enjoin Hartley from making such disclosures. The new or amended complaint in intervention embraces one cause of action against Hartley and seeks to enjoin Hartley from disclosing the trade secrets contrary to the licensing agreement. (See footnote 1, supra.) No formal order was entered as a result of the July 31, 1961 hearing, until September 11, 1961, which order entered on the latter date was backdated to July 31, 1961. On August 30, 1961 Hartley filed its motion to dismiss the complaint in intervention, and du Pont filed a similar motion on August 31, 1961. These motions were pending and undetermined on January 11, 1962 on which date there was filed the order signed by the District Court on January 10, 1962 wherein Hartley was ordered to answer the interrogatories and request for admissions filed by du Pont, which order is discussed above and which order Hartley seeks to have annulled by its petition for extraordinary writ in Cause No. 17,799. Intervenors have appealed to this Court from said order and said appeal forms the subject matter of Cause No. 17,741. Hartley and du Pont have separately moved this Court to dismiss the Intervenors' appeal on the ground that the order appealed from by the Intervenors is not a final, appealable order. The intervenors concede that the order appealed from is not a final order as it relates to Hartley and du Pont, but contended that the effect of the order is tantamount to an order denying Intervenors the relief which they seek, i.e., to prevent Hartley from disclosing trade secrets. Intervenors urge us to accept the appeal as a petition for writ of mandamus, prohibi-

tion, or other writ for relief in event that we should conclude that the order appealed from is not an appealable order. This is the cause presented to us in No. 17,741.

Following submission to us for decision of Causes 17,799 and 17,741 and on July 11, 1962, we vacated the submission in both causes and remanded Cause No. 17,741 to the District Court with request that the District Court rule upon Intervenors' motion for preliminary injunction and du Pont's and Hartley's motions to dismiss the complaint in intervention. See 306 F.2d 148 (9th Cir. 1962). In such order we stated: "In the event that the party or parties adversely affected by such ruling or rulings shall appeal from such ruling or rulings, such appeal or appeals shall be consolidated with the present appeal in Cause No. 17,741 and with the petition in Cause No. 17,799, and said Cause No. 17,741 and the new appeal or appeals shall be submitted to this Court, without further oral argument on the briefs on file, the present record on appeal supplemented by the record of proceedings had in the District Court upon remand, and supplemental opening, answering and reply briefs on the legal question or questions presented by such new appeal or appeals. If no appeal shall be taken from the ruling or rulings of the District Court on remand, such Cause No. 17,741 shall be resubmitted upon the expiration of the time provided for the taking of an appeal; and (b) to vacate the submission of Cause No. 17,799, the same to be deemed resubmitted without further oral argument on the present records and brief upon resubmission of Cause No. 17,741."

On remand of Cause No. 17,741 the District Court dismissed the Intervenors' complaint in intervention and denied Intervenor's motion for preliminary injunction. The order of the District Court denying the motion for preliminary injunction was signed on July 26, 1962, and entered by the Clerk on July 30, 1962. A copy of this order appears in Appendix I of this opinion. The order dismissing the Intervenors' complaint in intevention was signed by the District Court on July 26, 1962 and was entered by the clerk on July 30, 1962. A copy of this order appears in Appendix II to this opinion. The District Court's order for final judgment was signed on July 31, 1962 and entered by the clerk the following day. A copy of this order appears in Appendix III to this opinion. The order amending "Order for Final Judgment" was signed by the District Court on August 6, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix IV to this opinion. The order modifying "Order Amending July 31, 1962 'Order for Final Judgment' entered August 6, 1962" was signed by the District Judge August 10, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix V to this opinion.

On August 10, 1962 Intervenors filed their notice of appeal to this Court from the order of the District Court denying their motion for preliminary injunction and from the various orders dismissing the complaint in intervention.

Intervenors seek orders from this Court reversing the orders of the District Court last mentioned. This is the cause presented to us in No. 18,180.

Each of the causes was ordered submitted for decision on March 4, 1963.

While the three causes are so interrelated that no one of them can be fully and properly considered in isolation from the other two, nevertheless, we will endeavor to maintain the identity of each of the causes.

We will first discuss Cause No. 18,180. In Formulabs, Inc. v. Hartley Pen Company, et al., supra, we stated:

> "Under its [Rule 24(a)(3), Federal Rules of Civil Procedure] plain language any person has the right to intervene if he is so situated as to be adversely affected by a distribution or other disposition of the property which is in the custody or subject to the control or disposition of the court. In our view, Formulabs is so situated. Admittedly it is the owner of the secret formula and secret testing procedures. They are being used by Hartley under a license agreement which forbids disclosure by Hartley. Admittedly Hartley has knowledge of the secret formula and the secret testing procedures. It is a party to the main action pending in the district court. It is subject to the jurisdiction of that court. Under such circumstances, the secret formula and secret testing procedures are subject to the control or disposition of the court. There can be no question that Formulabs will be adversely affected by an order of the court requiring publication of these trade secrets. As stated in Cincinnati Bell Foun-

dry Co., v. Dodds, 1887, 19 Week.Law Bull. [84] 10 Ohio Dec. Reprint 154:

> 'The property in a trade secret is the power to make use of it to the exclusion of the world. If the world knows the process then the property disappears. There can be no property in a process, and no right of protection if knowledge of it is common to the world.'

"The fact that Formulabs may have the right to seek damages or an injunction against Hartley in the state court is in our view a completely inadequate remedy.

"We hold that under the plain language of Rule 24(a)(3) Formulabs had a right to intervene in the main action, and that the district court erred in denying its application."

The District Court in the various orders (Appendices II to V) dismissing Intervenors' complaint in intervention:

(a) Entered a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, 28 U.S.C.A.;

(b) Ordered that final judgment be entered dismissing the complaint in intervention for lack of jurisdiction over the subject matter as to all claims or causes of action asserted by Intervenors as against Hartley, arising out of any alleged contractual rights or obligations of Hartley and Intervenors *inter sese*, without leave to Intervenors to file an amended complaint in intervention asserting any such claims on the ground that the requisite diversity of citizenship does not exist and none of such claims arise or can arise

under the Constitution or laws or treaties of the United States;

(c) Granted Intervenors the right to file an amended complaint by joining Hartley in opposing all efforts of du Pont to compel disclosure of any secret formula or trade secret in which Intervenors may have or claim a property right or other legally cognizable interest so that the Intervenors might, if so advised, participate in all future hearings and proceedings which may be had in the main action concerned with any disclosure of any such secret formula or trade secret;

(d) Denied Intervenors the right to file an amended complaint asserting any claim against Hartley arising out of any contract existing between Hartley and Intervenors.

The District Court recognized Intervenors' right to intervene but restricted Intervenors' intervention to joining Hartley in opposing all efforts of du Pont to compel disclosure of any secret formula or secret process or other trade secret, in which Intervenors might have or claim a property right or other legally cognizable interest, so that Intervenors may, if so advised, participate in all future hearings and proceedings which may be had in the action concerned with any disclosure of such secret formula or secret process or other trade secret.

Intervenors predicate jurisdiction in the District Court over the subject matter of their complaint exclusively on Rule 24(a) (3) which grants, upon timely application therefor, the right to intervene in an action "when the applicant is so situated as to be adversely affected by distribution or other disposition of prop-

erty which is in the custody or subject to the control or disposition of the court or an officer thereof."

In our consideration of the question before us we must assume that the essential and well-pleaded allegations contained in Intervenors' complaint are true. Kozak v. Wells, 278 F.2d 104, 84 A.L.R.2d 110 (8th Cir. 1960). We are not now concerned with the ultimate results on the merits.

In brief, Intervenors' complaint alleges:

(a) That Formulabs is a California corporation;

(b) That Schreur and Lacy are individuals, and residents of the State of California;

(c) That Hartley is a California corporation, and the plaintiff in the action pending against du Pont;

(d) That the District Court has jurisdiction under the provisions of Rule 24(a)(3) Federal Rules of Civil Procedure, by virtue of the fact that trade secrets in which Intervenors have ownership rights are in the possession of Hartley and also in the custody and under control of the Court, and are in danger of unpermitted publication by Hartley under orders of the Court;

(e) That Intervenors' property rights are of a value, exclusive of interest and costs, in excess of $10,000.00;

(f) That prior to June 1952, Schreur and Lacy discovered a secret formula for ball pen ink, which formula is owned by Intervenors and at all times has been maintained as a trade secret;

(g) On June 10, 1952, Hartley was licensed to make ink using the formula and modifications thereof, under written agreement in which Hartley agreed it would not in any way or manner make known, di-

vulge or communicate the secret of said formula to any person or persons;

(h) Subsequent to June 1952, and from time to time prior to the institution of the main action by Hartley, there was disclosed to Hartley various embodiments and modifications of the secret ink formula, in confidence, which were so received by Hartley, in each instance to maintain and protect the secret thereof and pay for the use thereof;

(i) In the main action du Pont seeks to learn, and have disclosed to it, under the orders of the District Court, Intervenors' secret formula and its modifications used by Hartley in the manufacture of its ball pen ink;

(j) du Pont does not have such trade secrets, and disclosures by Hartley to du Pont would comprise a breach of the licensing agreement and of its obligation to maintain and protect the secrecy of such confidential disclosures and each of them;

(k) The trade secret will be destroyed by publication and Intervenors will be irremediably damaged; and

(l) That Intervenors seek to have Hartley enjoined from a disclosure of their trade secrets.

The primary, if not the sole reasons for dismissal of the Intervenors' complaint are that the requisite diversity of citizenship does not exist, and that the complaint is not supported by an independent ground of Federal jurisdiction.

[1] The law is well-settled that in cases where jurisdiction of the original action is founded upon diversity of citizenship, the citizenship of the Intervenor cannot oust the jurisdiction because of the established

rule that diversity jurisdiction once attached cannot be ousted by subsequent change in the citizenship of parties. Wichita R. and Light Co. v. Public Utilities Comm., 260 U.S. 48, 43 S.Ct. 51, 67 L.Ed. 124 (1922); Virginia Elec. & Power Co. v. Carolina Peanut Co., 186 F.2d 810, 32 A.L.R.2d 234 (4th Cir. 1951); Northeast Clackamas County Elec. Co-op v. Continental Cas. Co., 221 F.2d 329 (9th Cir. 1955); Kozak v. Wells, supra.

Must Intervenors' complaint be supported by an independent ground of federal jurisdiction, as held by the District Court?

Under the allegations contained in the Intervenors' Complaint, the Intervenors are the owners of certain trade secrets; they licensed Hartley to use them under an agreement forbidding disclosure in any manner to any person whomsoever; through an action instituted by Hartley against du Pont—a stranger to Intervenors in the subject matter of which action Intervenors have no interest, the trade secrets are in the custody of the court or subject to its control and disposition; that in the action du Pont seeks disclosure of trade secrets under orders of the court, and that, if published, the trade secrets will be destroyed to the irreparable damage of Intervenors.

The fears of Intervenors are not unfounded in view of the court's order for limited disclosure, which we have mentioned above. The license agreement contains no exception permitting or authorizing disclosure by Hartley even upon the valid order of a court of competent jurisdiction.

It appears clear under the above allegations that the Intervenors are so situated in respect to the main action

as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court in such action.

In Formulabs, Inc., supra, we held that Formulabs had a right to intervene in the main action under Rule 24(a)(3). If a right to intervene exists under Rule 24(a), intervention is a matter of right. Kozak v. Wells, supra; International Mortgage & Investment Corp. v. Von Clemm, 301 F.2d 857 (2nd Cir. 1962). Intervenors are in that position.

We have been unable to find any controlling or persuasive decision bearing on the answer to the question under discussion when the problem is viewed in the context presented to us.

[2] However, we find ourselves in agreement with the following statement appearing in 4 Moore's Federal Practice, 2nd Ed. § 24.18, pp. 135-136:

> "Where the right to intervene is absolute no independent ground of federal jurisdiction need be shown to support the intervention. To hold otherwise would result in an emasculation of the right to intervene, for oftentimes an independent ground of jurisdiction would be lacking. Here intervention may properly be regarded as ancillary or auxiliary to the main proceeding and authorized in the cases specified in subdivision (a) of Rule 24."

Intervenors' complaint is to be regarded as ancillary or auxiliary to the main action and need not be supported by an independent ground of federal jurisdiction.

[3] Since du Pont owes no duty to Intervenors and Intervenors assert no claim against du Pont, the practical necessities of the case compel Intervenors to assert their right in the trade secrets against Hartley the only

party to the main action who has knowledge of them—which was gained in confidence under a covenant forbidding disclosure—and to seek protection against disclosure by Hartley. In our view, Intervenors are entitled to do so.

The Intervenors are entitled to their day in court and to have it in connection with the main action. The judgment of dismissal of the complaint in intervention is reversed.

The order of the District Court denying Intervenors' motion for preliminary injunction is vacated and set aside; and on remand the said motion is to be reconsidered in the light of our holding that jurisdiction exists in the District Court over the subject matter of Intervenors' complaint.

[4] Cause No. 17,741 requires no extensive discussion. Concededly the order appealed from is not a final order. For that reason the appeal in said cause is dismissed. We decline to treat the papers filed by Intervenors in connection with said appeal as a petition for an extraordinary writ, and the request to do so is denied.

In view of our disposition of Cause No. 18,180, and our orders made in connection therewith, we have concluded to defer decision on Cause No. 17,799 pending the disposition on remand, by the District Court, of Cause No. 18,180. The order of March 4, 1963 submitting Cause No. 17,799 for decision is vacated and set aside and shall remain unsubmitted until the further order of this Court.

Should the trial court determine, upon its own motion or that of any party, that the order under review in Cause No. 17,799 should be reconsidered by that court

in the light of the further proceedings to be had in that court in Cause No. 18,180, and certifies the fact of such determination to this court, the petition in Cause No. 17,799 will be denied without prejudice and that cause will be remanded to the District Court for such further consideration.

APPENDIX

(Title of Cause Omitted)

INTERLOCUTORY FINDINGS OF FACT; CONCLUSIONS OF LAW AND ORDER DENYING INTERVENORS' MOTION FOR PRELIMINARY INJUNCTION.

The motion of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy (hereinafter collectively called "intervenors") for a preliminary injunction, filed herein on August 9, 1961, having been noticed for hearing on August 21, 1961, before the Honorable William C. Mathes, a Judge of the above entitled Court, and continued first on the Court's own motion to September 11, 1961, and then pursuant to stipulation of the parties and order of the Court to October 9, 1961, and thereafter continued on the Court's own motion to November 6, 1961, and then continued pursuant to stipulation of the parties and order of the Court to December 1, 1961, and on that date submitted for decision, and the Court being fully advised and having considered the intervenors' verified complaint in intervention and all the affidavits, pleadings, papers, records and files herein and having determined that intervenors are not entitled to a preliminary injunction, the Court makes its interlocutory findings of fact, conclusions of law and order as follows:

Interlocutory Findings of Fact

1. Formulabs, Incorporated (hereinafter called "Formulabs") is a corporation organized and existing under the laws of the State of California.

2. Clarence Schreur (hereinafter called "Schreur") and Gordon S. Lacy (hereinafter called "Lacy") are citizens of the State of California.

3. Plaintiff is a corporation organized and existing under the laws of the State of California.

4. Defendant is a corporation organized and existing under the laws of the State of Delaware.

5. Intervenors are the owners of a secret formula for the manufacture of ball pen ink originally divulged to plaintiff by Schreur and Lacy on or about September 12, 1952 pursuant to an agreement in writing made by and between Schreur, Lacy and plaintiff on or about June 10, 1952. Thereafter and prior to August of 1953, intervenors disclosed to plaintiff in confidence modifications to such secret formula (comprising the "secret formulae" hereinafter referred to) for the manufacture of different colored ball pen inks.

6. Plaintiff commenced the manufacture of ball pen inks according to such secret formulae in October, 1952. Its first purchase of defendant's Blue B dye, one of the ingredients called for by such secret formulae, occurred on or about October 22, 1952.

7. In 1953, plaintiff experienced difficulty with ball pen ink of its manufacture which it attributed to Blue B dye from Lots 36 and 37 of defendant's manufacture and for which it seeks damages from defendant by this action (the "main action").

8. Thereafter and in 1954 the intervenors developed and disclosed to plaintiff in confidence secret ink testing procedures.

9. As a result of discovery proceedings initiated herein by defendant, this Court by its minute order of December 16, 1957, required disclosure without limitation of the secret formulae and secret ink testing procedures. Thereafer Formulabs sought to intervene herein in order to protect its proprietary rights in such secrets, and established its right so to do by decision of the Court of Appeals for the Ninth Circuit (hereinafter called the "Court of Appeals") rendered February 15, 1960.

10. Following the return of the mandate of the Court of Appeals to this Court (filed herein on March 23, 1961) directing the setting aside of those portions of the orders of this Court which required disclosure of the secret formulae and secret testing procedures, defendant initiated new discovery procedures agreeably with the mandate directed to discovery of the secret formulae and processing techniques used by plaintiff in the manufacture of ball pen ink in 1953 incorporating Blue B dye of defendant's manufacture. Formulabs, joined by Schreur and Lacy, intervened and resisted those efforts of defendant (the "ancillary action").

11. At no time since the return of the aforesaid mandated has defendant sought or threatened to initiate discovery directed to disclosure of any part or portion of the secret ink testing procedures and no such effort on its part appears imminent or likely.

12. On January 10, 1962 this Court made its findings of fact in the proceedings to show good cause for disclosure of the secret formulae and processing tech-

niques, that such disclosure, on the showing made and over the opposition of the intervenors, was both relevant and necessary to the proper defense by defendant of this action, and such findings as embodied in the order of this Court made January 10 and filed herein on January 11, 1962 (hereinafter called the "order of limited disclosure") are reaffirmed and incorporated herein by reference as though set out herein in full.

13. Pursuant to the protective provisions of the order of limited disclosure, access to the secrets disclosed is limited to designated agents of defendant not exceeding five in number who are permanently enjoined from revealing any part or portion of such secrets or any facts reasonably calculated to lead to their revelation, except in so far as disclosure to defendant may reasonably be required during trial of this action under such protective measures as the Court may from time to time adopt in order to protect those secrets from public or other undue disclosure.

14. Defendant is not and has not at any time been a trade competitor of either plaintiff in the business of manufacturing ball pen inks, or of intervenors in the business of devising and improving and licensing for profit ball pen ink formulae, processing techniques and ink testing procedures.

Conclusions of Law

1. Jurisdiction of the main action is founded upon diversity of citizenship between plaintiff and defendant and an amount in controversy which exceeds, exclusive of interest and costs, the sum of $10,000.00.

2. Jurisdiction of the ancillary action commenced by the intervenors is founded upon its proprietary interest

in the ball pen ink formulae and testing procedures which are subject to the control or disposition of this Court and which were threatened at the time of the intervention by the possibility that an order of this Court requiring publication of those secrets without limitation might be made.

3. The issue of defendant's right to disclosure of the secret formulae is not a contest confined to plaintiff and defendant alone but necessarily involves the proprietary rights of the intervenors. The issue of the intervenors' right to enjoin plaintiff from disclosing the secret formulae is not a contest confined to intervenors and plaintiff alone but necessarily involves the interest of defendant in achieving the procedural due process to which every litigant is entitled.

4. This Court has no jurisdiction to litigate the contractual rights and obligations of plaintiff and intervenors *inter sese*, inasmuch as the requisite diversity of citizenship between plaintiff and intervenors does not exist and there is presented no question arising under the Constitution or laws or treaties of the United States.

5. On the showing of good cause for disclosure of the secret formulae made by defendant over the opposition of both plaintiff and intervenors, defendant's interest in procedural due process, viz., in being enabled properly to prepare its defense by disclosure of the secret formulae and processing techniques, transcends any proprietary rights of the intervenors in this action.

6. Under the conditions of safeguard incorporated in the order of limited disclosure, no general publication of the secret formulae and processing techniques

will be made and no irreparable injury done to intervenors.

7. The intervenors are neither entitled to the injunctive relief for which they pray nor at this time to any injunctive relief other than that already embodied in this Court's order of limited disclosure.

In accordance with the foregoing interlocutory findings of fact and conclusions of law, It Is Ordered, Adjudged and Decreed that the motion of intervenors for a preliminary injunction be and the same hereby is denied.

Dated: July 26, 1962.

/s/ Wm. C. Mathes
Judge of the District Court

APPENDIX II

(Title of Cause Omitted)

ORDER DISMISSING COMPLAINT IN INTERVENTION

The motion of defendant filed herein on August 31, 1961 to dismiss the complaint in intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy (hereinafter collectively called "intervenors") filed herein on August 9, 1961 having come on for hearing on September 11, 1961 before the above-entitled Court, the Honorable William C. Mathes, Judge Presiding, notice of the hearing of such motion having been duly given, plaintiff appearing by Owen A. Bartlett, Esq., and A. V. Falcone, Esq., the intervenors appearing by William D. Sellers, Esq., and Messrs. Lawler, Felix & Hall, by Robert Henigson, Esq., appearing for defendant, and such motion having been duly and regularly

argued and thereupon continued on the Court's own motion to November 6, 1961 and thereafter continued pursuant to stipulation of the parties and order of the Court to December 11, 1961 and on that date having been submitted for decision, and the motion of plaintiff filed herein on August 30, 1961 to dismiss said complaint in intervention having been noticed for hearing on October 9, 1961, and continued on the Court's own motion to November 6, 1961, and thereafter continued pursuant to stipulation of the parties and order of the Court to December 11, 1961 and on that date having been submitted for decision, and the Court having by its order of limited disclosure made on January 10 and filed herein on January 11, 1962 over-ruled over the intervenors' opposition the objections made to defendant's additional interrogatories and requests for admissions directed to disclosure of the secret formulae and processing techniques used by plaintiff in making ball pen ink in 1953, and having by that order prescribed the safeguards designed to assure the continued secrecy of such formulae and processing techniques and having permanently enjoined those designated agents of the defendant not exceeding five in number who shall have access to the answers to such additional interrogatories and requests for admissions from revealing any part or portion of the secret formulae or processing techniques disclosed by such answers or any facts reasonably calculated to lead to their revelation; except in so far as disclosure by defendant may reasonably be required during trial of this action under such protective measures as the Court may from time to time adopt in order to protect those secrets from public or other undue disclosure.

It Is Hereby Ordered that the motions of defendant and of plaintiff to dismiss said complaint in intervention are granted with leave to intervenors, or any one or more of them, to serve and file an amended complaint in intervention herein, within twenty days after service upon them of a copy of this order, such amended complaint to be in conformity with this Court's order of July 31, 1961; and by such amended complaint intervenors may not assert any claim against plaintiff arising out of any contract between plaintiff and intervenors, but may join plaintiff in opposing all efforts to compel disclosure of any secret formula or secret process or other trade secret in which intervenors may have or claim a property right or other legally cognizable interest, so that intervenors may, if so advised, participate in all future hearings and proceedings which may be had in this action concerned with any disclosure of any such secret formula or secret process or other trade secret.

It Is Further Ordered that the Clerk this day serve copies of this order by United States mail upon the parties appearing in this cause.

July 26, 1962.

/s/ Wm. C. Mathes
United States District Judge.

APPENDIX III

(Title of Cause Omitted)

ORDER FOR FINAL JUDGMENT

This Court having granted the motions of defendant and plaintiff to dismiss the complaint in intervention by its Order dated and filed July 26, 1962, granting leave to intervenors to file an amended complaint joining plaintiff in opposing the efforts of the defendant du Pont de Nemours & Company to obtain disclosure of intervenors' alleged trade secrets; and

The Court of Appeals for the Ninth Circuit by its opinion and Order dated July 11, 1962, having vacated the submission in intervenors' appeal and having remanded the cause to this Court for disposition of the intervenors' motion for a preliminary injunction and the motions of du Pont and Hartley to dismiss the complaint in intervention; and said Court of Appeals in said opinion stating:

> "In the vent that the party or parties adversely affected by such ruling or rulings shall appeal from such ruling or rulings, such appeal or appeals shall be consolidated with the present appeal in Cause No. 17741 and with the petition in Cause No. 17799"; and

In order to expedite the submission to the Court of Appeals of the jurisdictional questions involved in the dismissal of intervenors' complaint filed August 9, 1961, in accordance with its request and suggestion; and it appearing to the Court that there is no just reason for delay in entering final judgment on the dismissal of the claims for relief asserted by intervenors

Formulabs Incorporated, Clarence Schreur and Gordon S. Lacy, dba Pacific Research Laboratory against the plaintiff, it is, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure,

Ordered that final judgment be entered herein dismissing the complaint in intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, for lack of jurisdiction over the subject matter, as to all claims or causes of action asserted, or sought to be asserted, by intervenors as against plaintiff in this action, arising out of any alleged contractual rights or obligations of plaintiff and intervenors *inter sese*, or otherwise arising under State law, without leave to intervenors to file an amended complaint in intervention asserting any such claims, upon the ground that the requisite diversity of citizenship does not exist and none such claims arise or can arise under the Constitution or laws or treaties of the United States.

It Is Further Ordered that this dismissal shall not operate as an adjudication upon the merits as to any claim or cause of action intervenors may have against plaintiff arising from contract or otherwise under State law. [Fed.R.Civ. P. 41(a), 28 U.S.C.A.]

July 31, 1962.

s/ Wm. C. Mathes
United States District Judge.

APPENDIX IV

(Title of Cause Omitted)

ORDER AMENDING JULY 31, 1962 "ORDER FOR FINAL JUDGMENT"

Plaintiff's motion, filed August 3, 1962, to amend the "Order for Final Judgment" entered July 31, 1962, is hereby granted, and said "Order for Final Judgment" is hereby amended by adding, at the foot or end thereof, the following paragraph:

"It Is Further Ordered that leave is hereby granted to intervenors, or any one or more of them, to serve and file an amended complaint in intervention herein, within twenty days after service upon them of a copy of this order, such amended complaint to be in conformity with this Court's order of July 31, 1961; and by such amended complaint intervenors may not assert any claim against plaintiff arising out of any contract between plaintiff and intervenors, but may join plaintiff in opposing all efforts to compel disclosure of any secret formula or secret process or other trade secret in which intervenors may have or claim a property right or other legally cognizable interest, so that intervenors may, if so advised, participate in all future hearings and proceedings which may be had in this action concerned with any disclosure of any such secret formula or secret process or other trade secret."

It Is Further Ordered that the Clerk this day serve copies of this order by United States mail upon the parties appearing in this cause.

August 6, 1962.

/s/ Wm. C. Mathes
United States District Judge.

APPENDIX V

(Title of Cause Omitted)

STIPULATION AND ORDER MODIFYING "ORDER AMENDING JULY 31, 1962 'ORDER FOR FINAL JUDGMENT'" ENTERED AUGUST 6, 1962

Intervenors Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, dba Pacific Research Laboratory, plaintiff Hartley Pen Company, dba The Hartley Co., and defendant E. I. du Pont de Nemours & Company, acting through their respective counsel, and the Honorable Court consenting, hereby stipulate that the "Order Amending July 31, 1962 'Order for Final Judgment'" entered August 6, 1962, shall be amended and revised to read as follows:

"Plaintiff's motion, filed August 3, 1962, to amend the 'Order for Final Judgment' entered July 31, 1962, is hereby granted, and said 'Order for Final Judgment' is hereby amended by adding, at the foot or end thereof, the following paragraph:

"It Is Further Ordered that leave is hereby granted to intervenors, or any one or more of them, to serve and file an amended complaint in intervention herein, within twenty days after the return to the District Court of the mandate, from the Court of Appeals in the intervenors' appeal presently pending there, such amended complaint to be in conformity with this Court's order of July 31, 1961; and by such amended complaint intervenors may not assert any claim against plaintiff arising out of any contract between plaintiff and intervenors, but may join plaintiff in opposing all

efforts to compel disclosure of any secret formula or secret process or other trade secret in which intervenors may have or claim a property right or other legally cognizable interest, so that the intervenors may, if so advised, participate in all future hearings and proceedings which may be had in this action concerned with any disclosure of any such secret formula or secret process or other trade secret."

Dated: August 9, 1962.

/s/ W. D. Sellers
W. D. Sellers
Attorney for Intervenors Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, dba Pacific Research Laboratory.

Owen A. Bartlett
A. V. Falcone
By /s/ A. V. Falcone
Attorneys for Plaintiff
Hartley Pen Company.

Lawler, Felix & Hall
John M. Hall
Robert Henigson
By /s/ Robert Henigson
Attorneys for Defendant
E. I. duPont de Nemours & Company

Approved And So Ordered.

/s/ Wm. C. Mathes
United States District Judge.

Date: August 10, 1962

APPENDIX C.

Judgment.

United States Court of Appeals, for the Ninth Circuit.

Formulabs, Incorporated, a corporation, Clarence Schreur, et al., Appellants, vs. Hartley Pen Company, a corporation, doing business as The Hartley Co., etc., Appellees. No. 18,180.

Appeal from the United States District Court for the Southern District of California, Central Division.

This cause came on to be heard on the Transcript of the Record from the United States District Court for the Southern District of California, Central Division, and was duly submitted.

On consideration whereof, it is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause dismissing the complaint in intervention be, and hereby is reversed, and the order denying Intervenors' motion for preliminary injunction is vacated and set aside, with costs in this court in favor of the appellants and against the appellee Hartley Pen Company; and that this cause be and hereby is remanded tot he said District Court for reconsideration of said motion in the light of the opinion of this Court.

It is further ordered and adjudged by this Court that the appellants recover against the appellee Hartley Pen Company for their costs herein expended, and have execution therefor.

Filed and entered May 29, 1963.

APPENDIX D.

Order Denying Petition for Mandamus.

United States Court of Appeal for the Ninth Circuit.

Hartley Pen Co., a Calif. Corp., doing business as The Hartley Co., Petitioner, vs. The Hon. William C. Mathes, Judge of the United States District Court for the Southern District of Calif., Central Division, Respondent, E. I. DuPont de Nemours & Co., a Delaware Corp., and the Real Party in Interest, Respondent; Formulabs, Inc., a Calif. Corp.; Clarence Schreur, individually; Gordon S. Lacy, individually; Pacific Research Laboratory, a partnership, Respondents. No. 17799.

This matter came to be heard on the petition of Hartley Pen Company, doing business as the Hartley Co., for a writ of prohibition and for a writ of mandamus against the Honorable William C. Mathes, E. I. DuPont de Nemours & Company, and Formulabs, Incorporated, et al., and was duly submitted.

On consideration whereof, it is now here ordered by this court that the order of March 4, 1963, submitting this matter for decision is vacated and set aside, and this matter shall remain unsubmitted until the further order of this court.

Should the trial court determine, upon its own motion or that of any party, that the order under review in Cause No. 17799 should be reconsidered by that court in the light of the further proceedings to be had in that court in Cause No. 18180, and certifies the fact of such determination to this court, the petition in Cause No. 17799 will be denied without prejudice and that cause will be remanded to the District Court for such further consideration.

Order: Filed May 29, 1963.

APPENDIX E.

Rule 24, Federal Rules of Civil Procedure.

24. *Intervention.—(a) Intervention of right.* Upon timely application anyone shall be permitted to intervene in an action: (1) when a statute of the United States confers an unconditional right to intervene; or (2) when the representation of the applicant's interest by existing parties is or may be inadequate and the applicant is or may be bound by a judgment in the action; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof.

(b) Permissive intervention. Upon timely application any one may be permitted to intervene in an action: (1) when a statute of the United States confers a conditional right to intervene; or (2) when an applicant's claim or defense and the main action have a question of law or fact in common. When a party to an action relies for ground of claim or defense upon any statute or executive order administered by a federal or state governmental officer or agency or upon any regulation, order, requirement, or agreement issued or made pursuant to the statute or executive order, the officer or agency upon timely application may be permitted to intervene in the action. In exercising its discretion the court shall consider whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.

(c) Procedure. A person desiring to intervene shall serve a motion to intervene upon all parties affected

thereby. The motion shall state the grounds therefor and shall be accompanied by a pleading setting forth the claim or defense for which intervention is sought. The same procedure shall be followed when a statute of the United States gives a right to intervene. When the constitutionality of an act of Congress affecting the public interest is drawn in question in any action to which the United States or an officer, agency, or employee thereof is not a party, the court shall notify the Attorney General of the United States as provided in Title 28, U. S. C., § 2403 [28 § 2403]. (As amended Dec. 27, 1946; Dec. 29, 1948; eff. date, see Rule 86.)

APPENDIX F.

Opinion of the United States Court of Appeals for the Ninth Circuit.

United States Court of Appeals, for the Ninth Circuit.

Formulabs, Inc., Appellant, vs. Hartley Pen Company and E. I. Du Pont de Nemours & Company, Appellees. No. 16,140. Feb. 15, 1960.

On Appeal from an Order of the United States District Court for the Southern District of California, Central Division

Before: Barnes and Jertberg, Circuit Judges, and Jameson, District Judge.

Jertberg, Circuit Judge.

Hartley Pen Company, a California corporation, the plaintiff in the district court and one of the appellees on this appeal, filed a complaint against E. I. du Pont de Nemours & Company, a Delaware corporation, the other appellee on this appeal, in the Superior Court of the State of California, in and for the County of Los Angeles, alleging breach of warranty. Such parties will hereafter be referred to respectively as Hartley and du Pont. The action was transferred to the United States District Court for the Southern District of California, Central Division, on petition of du Pont.

Jurisdiction was vested in the district court under the provisions of Title 28 U. S. C. A. §1332, by reason of diversity of citizenship, the amount in controversy exceeding the sum of $10,000 exclusive of interest and costs.

It appears from the record that Hartley manufactures ball point pens incorporating cartridges filled with ink made under a secret formula comprising a trade secret belonging to Formulabs, Inc., the appellant on this appeal, which appellant will hereafter be referred to as Formulabs. The use of the secret formula by Hartley was under the terms of a written license agreement between Hartley and Formulabs.[1]

The ink manufactured by Hartley and placed in the cartridges incorporated a dye purchased by Harley from du Pont. In August 1953 du Pont sold to Hartley lots 36 and 37 of blue B dyes. The complaint alleges that the inks made by Hartley using dye lots 36 and 37 proved to be defective and unmerchantable. Hartley claimed that it suffered general and special damages in large amounts as the proximate result of the alleged defective and unmarketable dye.

Du Pont filed its answer to the complaint in which it denied most of the material allegations of the complaint. In its second defense du Pont alleged that it had been advised in October of 1952 by Formulabs that Formulabs had licensed Hartley to manufacture ink according to a formula developed by Formulabs using du Pont's dye, and that in the future Hartley would purchase from du Pont the dye to be used in said ink.

---

[1] The license agreement states that Formulabs is the owner of a secret formula for making ball pen ink which Hartley, engaged in the manufacture of ball pen inks, desired to use in the manufacture of ink. Under the license agreement Hartley agreed, among other things, that it would not "in any way or manner make known, divulge or communicate the secret of said formula to any person or persons whomsoever, and will take all reasonable precaution against the secret of said formula being learned or acquired by any unauthorized person or persons."

As part of its discovery proceedings du Pont sought to learn the Formulabs' secret formula used by Hartley in the formulation of the alleged defective ink using the alleged defective dye, lots 36 and 37, as well as certain of Formulabs' secret test procedures which had been disclosed to Hartley. On du Pont's motion for production and inspection of documents, made under Rule 34, Federal Rules of Civil Procedure, and over the objections of Hartley, the district court granted du Pont the right to inspect documents in Hartley's custody or under its control. It is conceded that such inspection would presumably disclose the secret formula and test procedures. Among the interrogatories propounded by du Pont to Hartley were interrogatories 34 and 37. Interrogatory 34 is in the following form:

> "State in detail the formula and procedure used and/or followed by plaintiff in manufacturing each and every batch of ink which plaintiff contends was defective because Lot 36 or Lot 37 of Luxol Fast Blue MBS dye was used therein."

Interrogatory 37 is as follows:

> "Describe in detail the 'secret tests' made by plaintiff and referred to in plaintiff's answer to defendant's interrogatory No. 14, and state what the results of said 'secret tests' were."

Hartley objected to such interrogatories. The objections were overruled, but no formal order has as yet been entered by the district court. It is conceded that such interrogatories if answered by Hartley would presumably disclose the secret formula and test procedures belonging to Formulabs.

The district court was fully aware of the existence of the license agreement between Hartley and Formulabs. The record is likewise clear that under statements made by the district judge Hartley must disclose the secret formula and secret test procedures or be faced with a dismissal of its suit for damages against du Pont. Among other statements made by the district judge to counsel for Hartley in connection with various discovery hearings are the following: "You can talk all you want to, but if you go to trial in this case you are going to have to submit your formula. Now, I don't care what it does or anything else to your contractual rights." "I told you before and I meant it, that you are either going to divulge your formula or out the case goes."

On February 5, 1958, Formulabs moved the district court to intervene in the pending action between Hartley and du Pont on the ground that the property affected belonged to it and that its right of ownership would be seriously injured and destroyed by disclosure of the trade secret. Attached to the motion was the proposed intervenor's cross complaint. Attached to the cross complaint was a copy of the license agreement between Formulabs and Hartley. In the cross complaint it is alleged that the secret formula and the secret test procedures are of great value and disclosure of them would do great and irreparable damage to Formulabs' business. The cross complaint prayed that Hartley be enjoined from disclosing such trade secrets. After hearing, the district court entered a final judgment, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, denying Formulabs' petition for intervention.

The district court ordered there be no disclosure of any secret formula or test procedures by Hartley to du Pont pending determination of this appeal.

The sole issue on this appeal is whether the district court erred in denying Formulabs' motion to intervene. The resolution of that issue in turn depends upon the construction to be given to the provisions of the pertinent provisions of Rule 24, Federal Rules of Civil Procedure.[2] Section (a) of the rule deals with permissive intervention of right. Section (b) of the rule deals with permissive interventon. Snce appellant concedes that intervention was not sought under this section, we will not extend this opinion by quoting the provisions thereof. Section (c) of the rule deals with procedure. Since no problem of procedure is involved, we will not quote the provisions of section (c).

The issue before us is further narrowed by Formulabs' concession that unless the intervention sought was a matter of right under Rule 24(a) necessary grounds of jurisdiction to order intervention were lacking, and the order denyng intervention was not an appealable order. We will, therefore, return to a discussion of Rule 24(a). Rule 24(a) states that upon timely application anyone shall be permitted to intervene in an ac-

[2]Rule 24 of the Federal Rules of Civil Procedure provides: "(a) Intervention of Right. Upon timely application anyone shall be permitted to intervene in an action: (1) when a statute of the United States confers an unconditional right to intervene; or (2) when the representation of the applicant's interest by existing parties is or may be inadequate and the applicant is or may be bound by a judgment in the action; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof." As amended Dec. 27, 1946, eff. March 19, 1948.

tion: (1) when a statute of the United States confers an unconditional right to intervene. Formulabs makes no contention under this sub-section. Section (a)(2) provides for the right of intervention "when the representation of the applicant's interest by existing parties is or may be inadequate and the applicant is or may be bound by a judgment in the action." Formulabs makes no contention under this section. Formulabs rests its entire right to intervene under section (a)(3) of the rule, which reads: "(3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof."

Rule 24(a)(3) was amended December 27, 1946, effective March 19, 1948, [italics indicate added matter]: "(3) when the applicant it so situated as to be adversely affected by a distribution or other disposition of property *which is* in the custody *or subject to the control or disposition of* the court or an officer thereof."

We have been unable to find any controlling decision which has interpreted or construed this amended subsection.

Moore's Federal Practice, Volume 4, page 58 states: "The 1946 amendment to Rule 24(a)(3) clarified the question of court control. Under the amendment, property need not be actually in the custody of the court or an officer thereof if it is "subject to the control or disposition' of the court."

It must be borne in mind that the issue of the propriety of the orders to disclose which the district court has or intends to make is not directly involved in this

appeal. Hence we will not comment on that subject or discuss the decisions on that subject which appear in the briefs. The issue before us is whether Formulabs had a right to intervene under Rule 24(a)(3). If so, intervention is a matter of right. *State of Oklahoma v. State of Texas, United States Intervener* (1922), 258 U.S. 574; *Krippendorf v. Hyde*, 110 U.S. 276.

The law appears to be well settled that if an applicant seeks to intervene under the provisions of Rule 24(a)(2) the intervenor must have an interest in the subject matter of the litigation of such a nature that he will gain or lose by the direct legal operation of the judgment, *Kelley v. Summers*, 210 F. 2d 665 (10th Cir., 1954), and that the requirement in 24(a)(2) that a party seeking to intervene must be "bound by" the judgment in the main action has been held to mean that such judgment must be res adjudicata as to such party. *Sutphen Estates v. United States*, 342 U.S. 19 (1951).

Du Pont and Hartley contend on this appeal that the requirements to intervene under Rule 24(a)(2) are applicable to intervene under the provisions of Rule 24(a)(3). They cite in support of their position *Doody v. Hazefield*, 189 F. 2d 637 (C.A. D.C., decided March 1, 1951), certiorari denied 342 U.S. 830. In that case the probate court entered its decree admitting to probate a last will and testament after trial by jury of the issues raised by certain parties wherein they charged the will was procured by fraud and undue influence. The issues were determined against such parties, and the order admitting the will to probate was affirmed by the circuit court, and a writ of certiorari to the Supreme Court was denied. Later the same parties filed a motion to intervene and stay the probate proceedings.

Such motions were denied by the district court, and on appeal such order was affirmed, the court stating at page 638: "The appellants' interest in the estate was determined to be nothing in the former contest of the issues which are also presented in this case." It is clear that in the *Dowdy* case those seeking to intervene had no interest in or property rights to be protected in the probate proceedings. The factual situation is entirely different from the instant case. The opinion contains no analysis of Rule 24(a)(3), and the court was in no manner required to pass upon the issue which is involved in this appeal.

Appellees have also called our attention to *Pure Oil Co. v. Ross*, 170 F. 2d 651, 7th Cir., decided November 17, 1948. This case involved an interpleader action by the plaintiff to determine a conflict in claims to money in its possession. The defendants counterclaimed. The money in the possession of the plaintiff was deposited with the court. One Schiff petitioned to intervene, claiming a part of the money. The order denying intervention was reversed by the circuit court. In its opinion the court stated, at page 653:

> "Rule 24(a)(3), Federal Rules of Civil Procedure, 28 U.S.C.A., permits anyone upon timely application to intervene in an action as a matter of right when the applicant is so situated as to be adversely affected by a distribution of property in the custody of the court or of an officer thereof, and the law is well settled, that to authorize an intervention, the intervenor must have an interest in the subject matter of the litigation of such a nature that he will gain or lose by the direct legal operation of the judgment."

The opinion contains no analysis of Rule 24(a)(3), and the facts are so different from the situation in the instant case that we derive no help from that decision in solving the problem before us.

The provision contained in Rule 24(a)(2) is entirely different than the language contained in 24(a)(3). Under 24(a)(2) it must appear that the applicant to intervene is or may be bound by the judgment in the main action. There is no such requirement contained in the provisions of Rule 24(a)(3). Under its plain language any person has the right to intervene if he is so situated as to be adversely affected by a distribution or other disposition of the property which is in the custody or subject to the control or disposition of the court. In our view, Formulabs is so situated. Admittedly it is the owner of the secret formula and secret testing procedures. They are being used by Hartley under a license agreement which forbids disclosure by Hartley. Admittedly Hartley has knowledge of the secret formula and the secret testing procedures. It is a party to the main action pending in the district court. It is subject to the jurisdiction of that court. Under such circumstances, the secret formula and secret testing procedures are subject to the control or disposition of the court. There can be no question that Formulabs will be adversely affected by an order of the court requiring publication of these trade secrets. As stated in *Cincinnati Bell Foundry Co. v. Dodds* (1887), 19 Weekly Law Bulletin, 10 Ohio Reprint 154:

> "The property in a trade secret is the power to make use of it to the exclusion of the world. If the world knows the process then the property disappears. There can be no property in a process, and no right of protection if knowledge of it is common to the world."

The fact that Formulabs may have the right to seek damages or an injunction against Hanley in the state court is in our view a completely inadequate remedy.

We hold that under the plain language of Rule 24. (a)(3) Formulabs had a right to intervene in the main action, and that the district court erred in denying its application.

The order of the district court denying intervention is reversed.

(Endorsed) Opinion Filed Feb. 15, 1960.

Frank H. Schmid,
Clerk

Office-Supreme Court, U.S.
FILED
OCT 31 1963
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

October Term, 1963
No. 517

HARTLEY PEN COMPANY, *Petitioner,*

vs.

THE HONORABLE WILLIAM C. MATHES, Judge of the United States District Court for the Southern District of California, Central Division, *et al.*, *Respondents.*

HARTLEY PEN COMPANY, *Petitioner,*

vs.

FORMULABS, INCORPORATED, a corporation; CLARENCE SCHREUR and GORDON S. LACY, individuals doing business as PACIFIC RESEARCH LABORATORY, a copartnership, *Respondents.*

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Brief for Respondents Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, Doing Business as Pacific Research Laboratory, in Opposition.

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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Brief for Respondents Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, Doing Business as Pacific Research Laboratory, in Opposition.

Opinions Below.

The District Court did not write an opinion.

The opinion of the Court of Appeals for the Ninth Circuit in Appeal No. 18,180 dated May 29, 1963, is reported at 318 F. 2d 485, 137 U.S. P. Q. 825 (Pet. App. B.).

Reference should also be made to the following earlier decisions in this case:

(1) *Formulabs v. Hartley et al*, Appeal No. 16,140, decided February 15, 1960, by the Court of Appeals for the Ninth Circuit and reported at 275 F. 2d 52, 124 U. S. P. Q. 398 (Pet. App. F). Certiorari denied June 20, 1960, at 363 U. S. 830, 80 S. Ct. 1600.

(2) *Formulabs v. Hartley*, No. 17,741 (Appeal and Petition for Mandamus), decided July 11, 1962, by the Court of Appeals for the Ninth Circuit and reported at 306 F. 2d 148. (Pet. App. A.)

Jurisdiction.

The Hartley Pen Company, a California corporation doing business as The Hartley Co., on August 26, 1955 filed a complaint for breach of warranty in the Superior Court of the State of California, in and for the County of Los Angeles, against E. I. du Pont de Nemours & Company, a Delaware corporation.

The action was removed to the United States District Court for the Southern District of California, Central Division, by a Petition for Removal filed September 15, 1955.

The District Court had jurisdiction by virtue of the diversity of citizenship between the plaintiff Hartley Pen Company and the defendant E. I. du Pont de Nemours & Company under 28 U. S. C. 1332(a)(1).

Formulabs, Incorporated intervened under FRCP 24-(a)(3). Its motion to intervene was dismissed in the District Court but its right to intervene was sustained in the Court of Appeals on December 15, 1960 (Appeal

No. 16,140), in a decision found at 275 F. 2d 52, 124 U. S. P. Q. 398.

In that appeal every issue here presented was or could have been presented, the dismissed complaint seeking the same relief sought by the present amended complaint in intervention.

The Petition for Certiorari of Hartley Pen Company in Appeal No. 16,140 was filed in this court as No. 926 in the October Term, 1959, and denied on January 20, 1960, the Memorandum decision being reported at 363 U. S. 830, 80 S. Ct. 1600.

On return to the District Court and on August 9, 1961, Clarence Schreur and Gordon S. Lacy, dba Pacific Research Laboratory, joined Formulabs, Incorporated as intervenors.

The Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy dba Pacific Research Laboratory was directed solely against Hartley Pen Company, as have all complaints in intervention, and sought the same relief as the original complaint in intervention which the Court of Appeals had held in No. 16,140 on February 15, 1960 was proper.

Upon the return of the case to the District Court that court refused to act upon the Intervenors' Motion for Preliminary Injunction and upon the motions of both Hartley and du Pont to dismiss the complaint in intervention, and on January 10, 1962, while still refusing so to act, granted du Pont's Motion for an Order directing Hartley to disclose Intervenors' trade secret, the very thing Intervenors' complaint sought to prevent.

Intervenors thereupon brought No. 17,741 in the Court of Appeals contending that by its order the District Court had in effect denied Intervenors the injunction they sought, thereby giving them the right to appeal, or alternatively, the court had violated judicial discretion by so acting as to render it impossible to grant the relief Intervenors sought without giving Intervenors their day in court.

The Court of Appeals in No. 17,741 on July 11, 1962, the decision being found at 306 F. 2d 148, remanded the case to the District Court "with the suggestion and request that the District Court expeditiously rule upon Formulabs' motion for a preliminary injunction, and du Pont's and Hartley's motions to dismiss the complaint in intervention."

The District Court, upon the return of the case and on July 26, 1962, in compliance with the direction of the Court of Appeals in Appeal No. 17,741, as set forth at 306 F. 2d 148, acted upon Intervenors' Motion for Preliminary Injunction and the du Pont and Hartley Motions to Dismiss, denied the injunction and dismissed the complaint.

Intervenors immediately appealed on August 10, 1962, the appeal being identified below as No. 18,180.

The decision of the Court of Appeals on May 29, 1963, in No. 18,180 (Pet. App. B, pp. 10-42) again affirmed the right of Intervenors to intervene and corrected the District Court's error in refusing to give effect to the law of the case as established in the earlier Appeal No. 16,140.

In that same decision the Court of Appeals also dismissed No. 17,741, which had provided the basis

for its decision on July 11, 1962, which had directed the return of the case to the District Court, as stated above. All remaining issues being presented in No. 18,180 the dismissal of 17,741 was proper.

The court also ruled that Cause No. 17,799 should remain "unsubmitted until the further order of this court."

The Question Presented.

Instead of the multitudinous alleged questions set forth in the Petition under the title "Questions Presented" there is only one question presented here. That question may be stated as follows:

Does the owner of property comprising a trade secret have the right under Rule 24(a)(3) of the Federal Rules of Civil Procedure to intervene to assert its ownership rights to prevent disclosure under the order of the court in an action in which it is not otherwise interested?

Statute and Rule Involved.

The statute or rule directly involved is FRCP 24(a)-(3), 28 U. S. C. A. (Pet. App. E, pp. 44, 45.)

Statement of the Case.

The statement of the relevant facts as set forth in the decision of the Court of Appeals is full and accurate, is adopted by the Respondents as their statement, and is here quoted:

> "The matters before us in the above causes are rooted in an action instituted by Hartley Pen Company against E. I. du Pont de Nemours & Company for damages for breach of warranty.

"Hartley Pen Company is the petitioner in No. 17,799 and an appellee in No. 17,741 and No. 18,180. E. I. du Pont de Nemours & Company is a respondent in No. 17,799 and an appellee in No. 17,741 and No. 18,180. Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, etc., are appellants in No. 17,741 and No. 18,180 and respondents in No. 17,799. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, is a respondent in No. 17,799.

"For convenience, Hartley Pen Company will be referred to as 'Hartley,' E. I. du Pont de Nemours & Company as 'du Pont,' Formulabs, Incorporated as 'Formulabs,' the Honorable William C. Mathes as 'District Court,' and Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy collectively, as 'Intervenors.'

"Hartley manufactures ball point pens containing cartridges filled with ink made under a secret formula comprising a trade secret belonging to Intervenors. The use of secret formula by Hartley was under the terms of a written license agreement with Formulabs.[1]

"[1]The license agreement states that Formulabs is the owner of a secret formula for making ball point ink which Hartley, engaged in the manufacture of ball point pens, desired to use in the manufacture of ink. Under the license agreement Hartley agreed, among other things, that it would not 'in any way or manner, make known, divulge or communicate the secret of said formula to any person or persons whomsoever, and will take all reasonable precaution against the secret of said formula being learned or acquired by any unauthorized person or persons.'

"The ink manufactured by Hartley and placed in the cartridges incorporated a dye purchased by Hartley from du Pont. In August 1953, du Pont sold to Hartley blue B dyes from Lots 36 and 37. The complaint filed by Hartley against du Pont alleges that the inks made by Hartley using dyes from Lots 36 and 37 proved to be defective and unmarketable. Hartley claims that it suffered general and special damages in large amounts as the proximate result of the alleged defective and unmarketable dye.

"As part of its discovery proceedings, du Pont sought, by interrogatories, to learn Formulabs' secret formula used by Hartley in the formulation of the alleged defective ink using the alleged defective dye, Lots 36 and 37, as well as certain of Formulabs' secret test procedures which had been disclosed to Hartley.

"Formulabs moved the District Court to intervene in the pending action between Hartley and du Pont on the ground that the property affected belonged to it and that its right of ownership would be seriously injured and destroyed by disclosure of the trade secrets. Formulabs' proposed cross-complaint prayed that Hartley be enjoined from disclosing such trade secrets. The District Court entered a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, 28 U. S. C. A., denying Formulabs' petition for intervention. On appeal, this Court held that under the plain language of Rule 24(a)(3),[2] Formulabs

[2]Rule 24 of the Federal Rules of Civil Procedure, in pertinent part, provides: '(a) Intervention of Right. Upon

had a right to intervene in the action, and reversed the order of the District Court denying intervention. Formulabs, Inc. v. Hartley Pen Company, et al., 275 F. 2d 52 (9th Cir. 1960), cert. denied 363 U.S. 830, 80 S.Ct. 1600, 4 L.Ed. 2d 1524.

"On du Pont's motion for production and inspection, the District Court, the Honorable Benjamin Harrison now deceased, presiding, granted du Pont the right to inspect documents in Hartley's custody or under its control without protective provisions. It was conceded that such inspection would presumably disclose the secret formula and secret test procedures.

"On petition of Hartley to this Court for an extraordinary writ, this Court ordered a writ of mandamus to issue to the District Court and the judges thereof, directing the setting aside of those portions of the orders made by the District Court which required disclosure of the secret formula and the secret testing procedures, without prejudice, however, to du Pont's right to thereafter initiate such discovery procedures as might be proper in an endeavor to establish that disclosure of the secret formula, of the secret testing procedures, or both, was or were relevant and necessary to the proper defense by du Pont of the damage action pending in the District Court. Hartley

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timely application anyone shall be permitted to intervene in an action: (1) * * *; or (2) * * *; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof.' As amended Dec. 27, 1946 eff. March 19, 1948.

Pen Company v. United States District Court for the Southern District of California, Central Division et al., 287 F.2d 324 (9th Cir. 1961).

"Following the return of the mandate of this Court to the District Court, du Pont initiated new discovery procedures against Hartley by way of interrogatories and requests for admissions, and by order signed January 10, 1962 and filed on January 11, 1962 Hartley was ordered over its objections to answer the interrogatories and requests for admissions and to do so on or before February 2, 1962.

"It is not seriously questioned that the answers to the interrogatories and requests for admission will require the disclosure of the trade secrets. While the order contains protective measures devised by the District Court for the preservation of the trade secrets upon disclosure by Hartley to du Pont, and which measures appear to be as effective as may reasonably be devised, considering the purpose to be served, nevertheless, it is not seriously questioned that disclosure to du Pont portends general publication of the secrets during the course of future proceedings in the main action.

"We granted leave to Hartley to file its petition for writ of prohibition and for writ of mandate, either or both in the alternative, and for other relief, and issued an order to show cause, directed to the District Court, du Pont and Intervenors. This petition seeks to have set aside by this Court the order of the District Court signed January 10, 1962 and filed January 11, 1962. Such order has been stayed by this Court to the extent that Hartley is relieved of the obligation to make, and is

enjoined from making any disclosure to any third party of any trade secrets belonging to Intervenors pending the further order of this Court.

"In substance, Hartley contends, for the reasons assigned in its petition, that the District Court was guilty of an abuse of discretion under the circumstances of the case in making and signing the disclosure order, and prays that an extraordinary writ be issued. This is the cause presented to us in No. 17,799.

"We will now posture Cause No. 17,741. In doing so, we deem it unnecessary to review the efforts of Intervenors to intervene in the main action pending in the District Court between Hartley and du Pont by the filing of various pleadings in intervention. Suffice it to say that at a hearing held on July 31, 1961, the District Court in part stated:

> 'So the leave, Mr. Sellers (counsel for Intervenors) is to file a complaint in intervention joining the Hartley Pen Company, the plaintiff, in opposing the efforts of the defendant to compel disclosure of the secret formula.
>
> 'Now, the motion of Schreur and Lacy to intervene and join Formulabs is granted to that extent, and otherwise denied; to the extent, namely, that Schreur and Lacy may join with Formulabs in this complaint in intervention, asserting essentially the first cause of action asserted in First Amended Pleading of the Intervenor filed July 17, 1961, with a prayer that the court not compel disclosure of the trade secrets and for all other proper relief, if you are so advised.'

"On August 9, 1961, there was filed a new or amended complaint entitled 'Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy,' in purported accordance with permission given at the hearing held on July 31, 1961. On the same day the Intervenors filed their motion for preliminary injunction seeking to enjoin Hartley from making such disclosures. The new or amended complaint in intervention embraces one cause of action against Hartley and seeks to enjoin Hartley from disclosing the trade secrets contrary to the licensing agreement. (See footnote 1, supra.) No formal order was entered as a result of the July 31, 1961 hearing, until September 11, 1961, which order entered on the latter date was back-dated to July 31, 1961. On August 30, 1961 Hartley filed its motion to dismiss the complaint in intervention and du Pont filed a similar motion on August 31, 1961. These motions were pending and undetermined on January 11, 1962 on which date there was filed the order signed by the District Court on January 10, 1962 wherein Hartley was ordered to answer the interrogatories and request for admissions filed by du Pont, which order is discussed above and which order Hartley seeks to have annulled by its petition for extraordinary writ in Cause No. 17,799. Intervenors have appealed to this Court from said order and said appeal forms the subject matter of Cause No. 17,741. Hartley and du Pont have separately moved this Court to dismiss the Intervenors' appeal on the ground that the order appealed from by the Intervenors is not a final, appealable order. The intervenors

concede that the order appealed from is not a final order as it relates to Hartley and du Pont, but contend that the effect of the order is tantamount to an order denying Intervenors the relief which they seek, i.e., to prevent Hartley from disclosing trade secrets. Intervenors urge us to accept the appeal as a petition for writ of mandamus, prohibition, or other writ for relief in event that we should conclude that the order appealed from is not an appealable order. This is the cause presented to us in No. 17,741.

"Following submission to us for decision of Causes 17,799 and 17,741 and on July 11, 1962, we vacated the submission in both causes and remanded Cause No. 17,741 to the District Court with request that the District Court rule upon Intervenors' motion for preliminary injunction and du Pont's and Hartley's motions to dismiss the complaint in intervention. See 306 F.2d 148 (9th Cir. 1962). In such order we stated: 'In the event that the party or parties adversely affected by such ruling or rulings shall appeal from such ruling or rulings, such appeal or appeals shall be consolidated with the present appeal in Cause No. 17,741 and with the petition in Cause No. 17,799, and said Cause No. 17,741 and the new appeal or appeals shall be submitted to this Court, without further oral argument on the briefs on file, the present record on appeal supplemented by the record of proceedings had in the District Court upon remand, and supplemental opening, answering and reply briefs on the legal question or questions presented by such new appeal or appeals. If no

appeal shall be taken from the ruling or rulings of the District Court on remand, such Cause No. 17,741 shall be resubmitted upon the expiration of the time provided for the taking of an appeal; and (b) to vacate the submission of Cause No. 17,799, the same to be deemed resubmitted without further oral argument on the present records and briefs upon resubmission of Cause No. 17,741."

"On remand of Cause No. 17,741 the District Court dismissed the Intervenors' complaint in intervention and denied Intervenor's motion for preliminary injunction. The order of the District Court denying the motion for preliminary injunction was signed on July 26, 1962, and entered by the Clerk on July 30, 1962. A copy of this order appears in Appendix I of this opinion. The order dismissing the Intervenors' complaint in intervention was signed by the District Court on July 26, 1962 and was entered by the clerk on July 30, 1962. A copy of this order appears in Appendix II to this opinion. The District Court's order for final judgment was signed on July 31, 1962 and entered by the clerk the following day. A copy of this order appears in Appendix III to this opinion. The order amending "Order for Final Judgment" was signed by the District Court on August 6, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix IV to this opinion. The order modifying 'Order Amending July 31, 1962 "Order for Final Judgment" entered August 6, 1962' was signed by the District Judge August 10, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix V to this opinion.

"On August 10, 1962 Intervenors filed their notice of appeal to this Court from the order of the District Court denying their motion for preliminary injunction and from the various orders dismissing the complaint in intervention.

"Intervenors seek orders from this Court reversing the orders of the District Court last mentioned. This is the cause presented to us in No. 18,180.

"Each of the causes was ordered submitted for decision on March 4, 1963."

Respondents wish to supplement the foregoing quoted statement from the decision of the Court of Appeals below (318 F. 2d 485, 137 U. S. P. Q. 825) by the following relating to the matter of *res judicata,* which, incidentally, is supported by Hartley's own Statement of the Case. See the Hartley Petition page 9, line 18, to page 10, line 18.

The Formulabs Appeal No. 16,140 in the Court of Appeals, decided February 15, 1960, comprised the initial effort of the intervenor Formulabs, Incorporated to gain the right to intervene under FRCP 24(a)(3) and to obtain an injunction to prevent Hartley from disclosing the trade secret of great value. As the Court of Appeals there stated:

"The cross complaint prayed that Hartley be enjoined from disclosing such trade secrets." (275 F. 2d 52, 54.)

The issues considered by the Court of Appeals in that first decision are evidenced by the following quotations:

"Formulabs rests its entire right to intervene under section (a)(3) of the rule, . . ." (275 F. 2d 52, 55.)

"The issue before us is whether Formulabs had a right to intervene under Rule 24(a)(3)." (275 F. 2d 52, 55.)

The party Hartley was making the same contentions then as now as indicated by the following:

"(1) The law appears to be well settled that if an applicant seeks to intervene under the provisions of Rule 24(a)(2) the intervenor must have an interest in the subject matter of the litigation of such a nature that he will gain or lose by the direct legal operation of the judgment, *Kelley v. Summers*, 10 Cir., 1954, 210 F. 2d 665, and that the requirement in 24(a)(2) that a party seeking to intervene must be 'bound by' the judgment in the main action has been held to mean that such judgment must be res adjudicata as to such party. *Sutphen Estates v. United States*, 1951, 342 U. S. 19, 72 S. Ct. 14, 96 L. Ed. 19.

"(2) Du Pont and Hartley contend on this appeal that the requirements to intervene under Rule 24(a)(2) are applicable to intervene under the provisions of Rule 24(a)(3)." (275 F. 2d 52, 55.)

The party Hartley was relying upon the same decisions before the Court of Appeals in that first decision as in the present petition, the Court of Appeals saying:

"They cite in support of their position *Dozedy v. Hazefield*, 88 U.S.App.D.C. 241, 189 F.2d 637 (decided March 1, 1951), certiorari denied 342 U.S. 830, 72 S.Ct. 54, 96 L.Ed. 628." (275 F. 2d 52, 55, 56.)

The Court of Appeals in that first decision in 1960 held adversely to Hartley's present contentions with respect to the requirements for intervention under FRCP 24(a)(3) and in the following words:

> "The provision contained in Rule 24(a)(2) is entirely different than the language contained in 24 (a)(3). Under 24(a)(2) it must appear that the applicant to intervene is or may be bound by the judgment in the main action. There is no such requirement contained in the provisions of Rule 24 (a)(3). Under its plain language any person has the right to intervene if he is so situated as to be adversely affected by a distribution or other disposition of the property which is in the custody or subject to the control or disposition of the court." (275 F.2d 52, 56.)

With respect to Hartley's present contention that the matter should be decided in the California State Courts in an action filed on January 17, 1962, four (4) years after intervention in the District Court, the Court of Appeals said in 1960:

> "The fact that Formulabs may have the right to seek damages or an injunction against Hartley in the state court is in our view a completely inadequate remedy." (275 F.2d 52, 57.)

The petition for certiorari of the party Hartley following Appeal No. 16,140 was denied, the memorandum decision being found at 363 U. S. 830, 80 S. Ct. 1600.

Hartley in the present petition again brings the same case and the same issues before this court.

ARGUMENT

1. The Decision Below Is Correct.

Intervenors own proprietary rights in a trade secret of great value.

The Court of Appeals in the decision on Appeal No. 16,140 on February 15, 1960, said:

> ". . . There can be no question that Formulabs will be adversely affected by an order of the court requiring publication of the trade secrets. As stated in *Cincinnati Bell Foundry Co. v. Dodds* (1887), 19 Weekly Law Bulletin, 10 Ohio Reprint 154:
>
> > 'The property in a trade secret is the power to make use of it to the exclusion of the world. If the world knows the process then the property disappears. There can be no property in a process, and no right of protection if knowledge of it is common to the world.' "

Hartley had possession of Intervenors' trade secret and was under the duty to maintain its secrecy by virtue of contract, and by virtue of confidential disclosure.

The District Court had control of the secret through its jurisdiction of Hartley and ordered a disclosure thereof inconsistent with Intervenor's rights. FRCP 24(a)-(3), as held by the Court of Appeals, gives to the owner of the property the right to intervene.

To deny that right would be to take Intervenors' property without due process of law as guaranteed by the Constitution.

The alternative insisted upon by the District Court was that the Intervenors ignore their rights against Hartley and instead join Hartley in its opposition to du Pont's effort to show good cause justifying, as between it and Hartley, the disclosure of Intervenors' secret.

On October 10, 1961, Intervenors presented the following argument to the District Court opposing the latter's position and supporting the right to proceed against Hartley alone, which, it is respectfully contended, is a view accepted by the Court of Appeals:

> "The present 'Statement' comprises an assertion of intervenors' overriding rights by virtue of their ownership of the property concerned which should be, in their view, controlling regardless of du Pont's showing of 'good cause'.
>
> "It is intervenors' position that regardless of the showing of E. I. du Pont de Nemours & Company, hereinafter called 'du Pont', Hartley Pen Company, hereinafter called 'Hartley', cannot disclose and should not be ordered to disclose.
>
> "The reason? The trade secrets belong to intervenors. Hartley has no right to disclose. This Court cannot order disclosure without taking intervenors' property.
>
> "Accordingly, intervenors oppose any attempt by du Pont to obtain disclosure of the trade secrets comprising the secret ink formula (that is all du Pont is now seeking), and full and complete answers given by Hartley to du Pont's Interrogatories 43 through 59, inclusive, 61, 63, 64, 67 through 70, inclusive, 74 and 76, will disclose or at the least will tend to disclose."

* * *

"The verified complaint in intervention and affidavits of Schreur and Lacy clearly establish ownership of the trade secrets in intervenors, the disclosure in confidence to Hartley, the written agreement by Hartley not to disclose the secret ink formula, the value of the formula, and the fact that disclosure to du Pont would violate intervenors' property rights and destroy their property.

"If the secrets involved were the property of Hartley this discovery issue would be simple. But the secrets do not belong to Hartley. They belong to intervenors.

"Until intervenors' property rights are established or discredited to the satisfaction of this Court, until intervenors' rights to have Hartley restrained from destroying their property disclosed in confidence are determined, until intervenors' right to have Hartley restrained from destroying their unique property in violation of the agreement of June 10, 1952, is determined, any order of this Court effecting the disclosure of intervenors' trade secrets will comprise a violation of intervenors' rights under the Constitution.

"Intervenors' right to intervene to assert those property rights were upheld by the Court of Appeals in this very case.

"Intervenors' have filed a verified complaint in intervention. It alleges ownership of the trade secrets in intervenors, a contract binding Hartley not to disclose the ink formula about which du Pont now seeks information disclosing or tending to disclose the secret. Those allegations stand un-

denied. No answer has been filed yet by Hartley. Both Hartley and du Pont have filed motions to dismiss.

"The opportunity to oppose du Pont's attempt to show 'good cause, relevancy and necessity' and the opportunity to assert intervenors' rights of ownership of a trade secret which they can enforce only against Hartley, to whom the secret was disclosed in confidence, are not the same.

"As understood, the ruling of the Court . . . is to be based upon a 'proceeding' relating solely to Du Pont's right to discovery and what Hartley (with intervenors' assistance according to the direction of the Court) can show in opposition thereto. Does this 'proceeding' contemplate a determination of the relative rights of Hartley and intervenors, a determination which clearly is a condition precedent to the acceptance of intervenors' contention that as owners they have the right to keep their secret inviolate. Clearly not, for no opportunity is given to determine the issues raised by the complaint in intervention.

"Amendment 14 of the United States Constitution at Section 1 provides in part as follows:

> '. . . nor shall any State deprive any person of life, liberty, or property, without due process of law; . . .'

"The Fifth Amendment contains the prohibition against the Federal Government as follows:

> 'No person shall be . . . deprived of life, liberty or property, without due process of law; . . .'

"As was stated in *French v. Barber Asphalt Paving Co.* (1901), 181 U. S. 324, 329:

'. . . the legal import of the phrase "due process of law" is the same in both amendments.'

"The Constitution of the State of California in Article 1, Section 13, provides in part:

'No person shall . . . be deprived of life, liberty, or property without due process of law.'

"Mr. Justice Field in *Hagar v. Reclamation District No. 108* (1883), 111 U.S. 701, 28 L.Ed. 569, page 572, said:

'. . . The clause in question means, therefore, that there can be no proceeding against life, liberty or property which may result in the deprivation of either, without the observance of those general rules established in our system of jurisprudence for the security of private rights.'

"Intervenors should not be deprived of their property without first being given the right to protect it.

'A hearing or an opportunity to be heard is an essential element of due process of law'.

Corpus Juris Secundum, Constitutional Law, Sec. 622;

Ochoa v. Hernandez y Morales, Porto Rico, 33 S.Ct. 1033, 1038, 230 U.S. 139, 57 L.Ed. 1427.

"Due process requires that before one can be deprived of property, notice and opportunity for hearing before some tribunal authorized to determine the question shall be had.

United States Constitution, 14th Amendment;

Constitution of California, Art. I, Sec. 13;

Hill v. Badelly, 290 Pac. 637, 639, 107 Cal. App. 598;

Suckow v. Board of Medical Examiners, 187 Pac. 965, 966, 182 Cal. 247.

"Notwithstanding the foregoing, the Court has set September 11, 1961, as the date on which it will rule upon the necessity for Hartley to answer du Pont's additional interrogatories which both intervenors and Hartley state will disclose, or at least tend to disclose, valuable trade secrets.

"This case has been pending for years. It has already been to the Court of Appeals twice. The desirability of prompt and diligent progress is unarguable. But, justice speeded to the point at which there can be no adjudication of extremely valuable rights of nationally known businesses, leaders in their respective fields, is, it is respectfully contended, justice denied.

"Intervenors must have their day in court to assert *their rights of ownership in the property in question.* They have that right. To base the decision upon those rights upon the ability of a third party (du Pont) to show 'good cause, relevancy and necessity' in an action against anyone but intervenors does not appeal to reason.

"It has been suggested that perhaps intervenors' property right will have to yield to some superior procedural right of du Pont. As large as it is, du Pont is not vested with a public interest, and it is denied that du Pont, a private corporation, has or can have any procedural right justifying the destruction of intervenors' unique property.

> "Stated succinctly, intervenors oppose the granting to du Pont of an order directing Hartley to disclose intervenors' trade secrets upon the grounds that the secrets are unique property which they are entitled to protect and preserve under the United States Constitution and no third person has the right to take that property without their permission under the guise of a procedural right of discovery."

The decision below gives to Intervenors their day in court to protect their property. It is correct.

2. The Issue Petitioner Raises Is Res Judicata as to Formulabs, Incorporated and Petitioner's Contentions Are Contra to the Law of This Case.

The facts recited under the title Statement of the Case *supra* show that the issues which Petitioner Hartley now seeks to contest are *res judicata* as to Formulabs, Incorporated and that its contentions are contra to the law of this case.

The right to file a complaint in intervention under FRCP 24(a)(3) was established by the decision of the Court of Appeals in Appeal No. 10,140 in 1960, and became the law of this case.

The complaint before the District Court and before the Court of Appeals in No. 10,140 was, as is the present complaint, directed solely against Hartley and sought to enjoin disclosure as set forth in the quotations from the decision of the Court of Appeals under the title Statement of the Case above.

It is the fact that Clarence Schreur and Gordon S. Lacy, doing business as Pacific Research Laboratory, intervened upon the return of the case from the Appeal 16,140, but they took the case and the law of the case as they found it.

Every issue now raised was or could have been raised in No. 16,140.

This is Hartley's second petition for certiorari on the same issues, the first denial of a writ being found at 363 U. S. 830, 80 S. Ct. 1600.

In *Partmar Corp. et al. v. Paramount Pictures Theatres Corp., et al.* (S. Ct. 1954), 347 U. S. 89, 74 S. Ct. 414, this court said:

> "We have often held that under the doctrine of res judicata a judgment entered in an action conclusively settles that action as to all matters that were or might have been litigated or adjudged therein."

The fact the District Court failed and refused to follow the decision of the Court of Appeals and the law of the case following Appeal No. 16,140 necessitated subsequent appellate action by Intervenors in Appeals No. 17,741 and 18,180.

However, the refusal of the District Court to accept the law of the case and follow the decision of the Court of Appeals in early Appeal No. 16,140 did not release or relieve Hartley of the binding effect of that first appeal, the correctness of which was reaffirmed in the subsequent decision in No. 18,180.

3. There Is No Conflict of Decisions.

The attention of this Court to this case cannot be justified upon the grounds of conflict of decisions. There is no known prior decision interpreting FRCP 24(a)(3) with respect to the issues present in this case.

In Appeal No. 16,140 the Court of Appeals in its decision said:

> "We have been unable to find any controlling decision which has interpreted or construed this amended sub-section." (275 F.2d 52, 55.)

In Appeal No. 18,180 below the Court of Appeals said:

> "We have been unable to find any controlling or persuasive decision bearing on the answer to the question under discussion when the problem is viewed in the context presented to us." (318 F. 2d 485, 492.)

4. Intervention Under FRCP 24(a)(3) Need Not Be Supported by Diversity of Citizenship nor by Independent Federal Jurisdiction.

For a District Court to take possession of the property of one not a party to the action before it, and to dispose of that property without giving to the owner the opportunity to be heard, simply does not appeal to one's sense of equity. It has not appealed to this court in the past.

There are no decisions directly in point but the way has been marked out clearly, perhaps best, in *Kripendorf v. Hyde*, 110 U. S. 276, 28 L. Ed. 145, decided

in 1884, long before the adoption of the Federal Rules of Civil Procedure. This court there recognized the inherent right of the possessor of property to be heard in its protection in a manner fully consistent with the present assertion of rights under FRCP 24(a)(3).

In that case an action was brought to recover an amount alleged to be due for goods and merchandise sold. A writ of attachment was issued. The appellant, claiming ownership of the goods, was added as a party to the action but his name was later stricken without prejudice. Judgment was subsequently rendered in favor of the plaintiff and the attached property was ordered sold. The appellant, not a party to the action, thereupon filed a bill naming all parties to the action as defendants including the Marshal. The grounds of the decree of the Circuit Court below was that the appellant had a plain and adequate remedy at law. This Court said in part:

> "The principle is that a bill filed on the equity side of the court to restrain or regulate judgments or suits at law in the same court and thereby prevent injustice or an inequitable advantage under mesne or final process, is not an original suit but ancillary and dependent, supplementary merely to an original suit out of which it had arisen and is maintained without reference to the citizenship or residence of the parties.
>
> * * *
>
> "No one, even in equity, is entitled to be made or to become a party to the suit unless he has an interest in its object (Calvert, Parties, 13); yet it is the common practice of the courts to permit strangers to the litigation, claiming an in-

terest in its subject-matter, to intervene on their own behalf to assert their titles. 'When any person . . . claims to be entitled to an estate or other property sequestered whether by mortgage or judgment, lease or otherwise, or has a title paramount to the sequestration, he should apply to the court to direct an inquiry whether the applicant has any and what interest in the property sequestered. This inquiry is called an examination pro interesse suo . . .' The grounds of this procedure are the duty of the court to prevent its process from being abused to the injury of third persons, and to protect its officers and its own custody of property in their possession, so as to defend and preserve its jurisdiction, for no one is allowed to question or disturb that possession except by leave of the court.

* * *

". . . So that, unless he is allowed to intervene by his present bill to stay the distribution of the fund, which, by the demurrer, is admitted to be his own, the anomaly will be presented, in judicial proceedings, of an award, dividing property among claimants, from which the only person excluded is the one whose sole and paramount title is confessed; and he will be compelled to stand idly by to witness the dissipation of his property into many unknown hands, by a court, to whose jurisdiction he has submitted himself from the beginning, and which now remits him to an action for damages against its own officer who has simply acted under its order."

In *Wabash R. Co. v. Adelbert College* (1908), 208 U. S. 39, 28. S. Ct. 182, 52 L. Ed. 379, this Court said:

> "For the purpose of avoiding injustice which otherwise might result, a court during the continuance of its possession has, as incident thereto and as ancillary to the suit in which the possession was acquired, jurisdiction to hear and determine all questions respecting the title, the possession, or the control of the property. In the courts of the United States this incidental and ancillary jurisdiction exists, although in the subordinate suit there is no jurisdiction arising out of diversity of citizenship or the nature of the controversy."

The Court of Appeals in the decision below in No. 18,180 said:

> "However, we find ourselves in agreement with the following statement appearing in 4 Moore's Federal Practice, 2nd Ed. Sec. 24.18, pp. 135-136:
>
> 'Where the right to intervene is absolute no independent ground of federal jurisdiction need be shown to support the intervention. To hold otherwise would result in an emasculation of the right to intervene, for oftentimes an independent ground of jurisdiction would be lacking. Here intervention may properly be regarded as ancillary or auxiliary to the main proceeding and authorized in the cases specified in subdivision (a) of Rule 24.'
>
> "Intervenors' complaint is to be regarded as ancillary or auxiliary to the main action and need not be supported by an independent ground of federal jurisdiction." (318 F.2d 485, 492.)

The absence of any requirement of diversity of citizenship in the present case is also supported by:

Freeman v. Howe (1860), 65 U. S. 450, 16 L. Ed. 749;

Phelps v. Oaks (1886), 117 U. S. 236, 6 S. C. 714, 29 L. Ed. 888.

Conclusions.

The petition for writ of certiorari filed on behalf of Hartley Pen Company presents no meritorious reason justifying its grant.

Upon a District Court taking possession of property for the purposes of disposition or control, which property does not belong to any litigant, the court acquires ancillary jurisdiction to hear and to determine all questions respecting title, possession and control of that property.

The decision below is consistent with the law and with the equities of the case.

The issues raised by the petition are *res judicata* and the petitioner's contentions are inconsistent with the law of this case.

There are no conflicting decisions of other circuits.

The denial of the petition is respectfully urged.

Dated: October 25, 1963.

Respectfully submitted,

WILLIAM DOUGLAS SELLERS,
Attorney for Respondents Formulabs, Incorporated, a corporation, Clarence Schreur and Gordon S. Lacy, individuals doing business as Pacific Research Laboratory, a copartnership.

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IN THE

Supreme Court of the United States

October Term, 1963
No. 517

HARTLEY PEN COMPANY,
Petitioner,

vs.

THE HONORABLE WILLIAM C. MATHES, Judge of the United States District Court for the Southern District of California, Central Division, *et al.*,
Respondents.

HARTLEY PEN COMPANY,
Petitioner,

vs.

FORMULABS, INC., a California corporation, *et al.*,
Respondents.

Petitioner's Brief in Reply to Opposing Brief by Respondents Formulabs, Inc., Clarence Schreur, Gordon S. Lacy and Pacific Research Laboratory.

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Preface.

A copy of said respondents' brief in opposition to petitioner's (hereinafter Hartley) petition for writ of certorari in the above proceeding was received by mail by Hartley's attorneys on October 30, 1963.

Hartley respectfully requests this Court's consideration of this reply brief under its Rule 24, paragraph 4.

Respondents' Brief.

Preface.

Respondents' brief does not comply with this Court's Rule 24, paragraph 1. It does *not* disclose "any matter or ground why the cause should not be reviewed" by this Court. It is not a "reply" brief. It does not deny, discuss or consider any of the factual or legal statements, contentions or authorities in the petition and does not cite any contrary authorities. Hartley's "Questions Presented" and its "Reasons for Granting the Writ" are unanswered.

The petition considered Cause 17799 and 18180. Respondents' brief is directed only to 18180. They have completely ignored 17799 and the Court of Appeals' refusal to decide it but to keep it "unsubmitted" although the determination thereof is a *condition precedent* to their right to intervene in any event, as they have vehemently argued *even to the extent of petitioning the Court of Appeals for rehearing on that ground and in that regard.*

Tactically, (intentional or not) respondents' brief tends to confuse Hartley's presentation to this Court of the grounds and reasons for its review, by certiorari, of this patently and concededly unprecedented case, which involves substantial constitutional rights, a complete change by the Court of Appeals in the historical concept and application of federal intervention (admittedly without precedent and obviously contrary to *all* decisions of this Court and the Courts of Appeals of other circuits on the fundamental principles involved), also a judicial expansion, or more properly, the creation of a new ground of federal jurisdiction, thereby creating an unlimited source of ever-increasing burdens of state court actions, incidentally and collaterally imposed upon the already saturated load on the federal district courts, as well as a serious undermining in the

significance and function of the F. R. C. P., particularly regarding intervention and discovery, including Rules 24, 30-36.

Respondents' brief also tends to distract this Court's attention from the *fact* that this case presents most serious and important issues and questions; which are not only critical to Hartley and respondents, but to *all* litigants, and which are *live*, *universally*, *presently* and *permanently* critically applicable.

Its statement of "Jurisdiction" is not such at all but a discussion of the history of this case including proceedings and documents in the District Court.

Its "Argument" does not consider or answer Hartley's "Questions Presented" or "Reasons for Granting the Writ." The small portion of it which may be considered discussion consists of obvious misstatements of the case and its issues.

Its 29 pages consist of more than 9 pages of *quotations* from parts of the decision of the Court of Appeals in 318 F. 2d 485 (which is *fully* set out in Appendix B to the petition, pages 10-41); about 3 pages of *quotations* from the Court of Appeals' decision in 275 F. 2d 52 (which is also *fully* set out in Appendix F to the petition, pages 46-55); about 6 pages of repetition of respondents' argument, *quoted verbatim*, to the District Court (which it rejected); about 3 pages on (including 1½ pages of quotations from) *Krippendorf v. Hyde*, 110 U. S. 276, *misapplied* by respondents and which supports petitioner's contentions (see Petition, p. 41). These total about 20 pages, leaving about 9 pages. Its 3 page statement on "Jurisdiction," as noted, is not such at all. This leaves about 6 pages. Of these 1½ pages are taken up with the "Opinions Below," ⅓ page with "The Question Presented" and "Statute and Rule Involved." This leaves about 4 pages in which respondents misstate the status of the case and the issues.

Its "Argument".

The substance of the "argument" appears to be:

1. That 275 F. 2d 52 declared "the law of the case", and was *res judicata*.

2. That respondents were entitled to due process.

3. That allegedly "There is no Conflict of Decisions" because in 275 F. 2d 52 (Pet. App. F, pp. 40-55) and in 318 F. 2d 485 (Pet. App. B., pp. 10-41) the Court of Appeals stated, in substance, that there was no "controlling decision" on the specific situation involved.

4. That intervention of right does not require diversity of citizenship or independent federal jurisdiction.

It cites no supporting authority and its statements consist of pontifical *ipse dixit*.

As to 1. 275 F. 2d 52 merely held that respondents had the right to intervene. It went no further. The Court explicitly did not pass upon the pleading or procedural sufficiency. It stated, referring to F. R. C. P. 27, "Section (c) of the Rule deals with procedure. Since no problem of procedure is involved, we will not quote the provisions of section (c)" (see Pet. App. F, p. 50, lines 14-16). This related to discovery proceedings incidental to the main action only. There was no trial or hearing on the merits and no final judgment or order was or could be involved. Accordingly, there was no "law of the case" and *res judicata* could not and did not apply.

In this regard respondents state that the same issues and contentions were involved in the proceedings which were the subject of both decisions. This is not so since after the first decision, as noted in the petition (see pp. 9-13), respondents initiated different proceedings, presented new pleadings, and were granted *limited*

leave to intervene only by joining Hartley in opposing du Pont's discovery proceedings which sought disclosure of the trade secret. Respondents accepted this leave and proceeded thereunder. The Court of Appeals in 318 F. 2d 485 acknowledged this when it said that respondent filed a new complaint "in purported accordance with permission given at the hearing held on July 31, 1961" (see Pet. App. B, p. 17, last line; p. 18, first line). That order became *final* by the *passage of time* and by the Court of Appeals' *dismisal of respondents' appeal therefrom in 17598 on December 4, 1961.* The intervenors, electing to accept that leave, are *bound* by it.

As to 2. Due process is merely the opportunity to be heard according to established proceedings in accordance with law. Respondents were not only given this opportunity repeatedly but were given rights and privileges not accorded any other litigant in the history of our recorded law, *i.e.*, to try a completely unrelated, independent state court action collaterally against only one party in the main federal action under the guise of "intervention."

It is Hartley who has not been accorded due process, as noted in the petition (see particularly pp. 6-7, 20).

As to 3. The statement that there is no conflict in the decisions is respondents' mere conclusion. They only make the statement and do not cite authorities or discuss those Hartley cited. The petition clearly shows clear-cut conflict with the decisions of this Court and the Courts of Appeals of other circuits.

Further, the fact that the decision of the Court of Appeals is one of first impression in its construction and application of the fundamental principles involved would be sufficient for granting certiorari.

It is true that the Court of Appeals in 275 F. 2d 52 stated that it did not find a "controlling decision" and that it repeated this, in substance, in 318 F. 2d 485. In the first decision it discussed several cases, cited by Hartley, including *Pure Oil Co. v. Ross* (7th Cir.), 170 F. 2d 651 and *Doody v. Hatfield* (D. C. Cir.), 189 F. 2d 637, cert. den. 342 U. S. 830, and stated they did not construe F. R. C. P. 24(a)(3). However, they (and other cases cited by Hartley) *explicitly did so* (see Pet. pp. 17-18).

As to 4. Respondents again misconstrue "intervention." Proper intervention of right may not require independent grounds of federal jurisdiction or diversity of citizenship. But this is because the main action is already properly within federal jurisdiction and because proper "intervention" is just that, *i.e.*, it comes within and becomes part of, as ancillary and incidental to, the main action. This is the exact opposite of what respondents want to litigate in the main action. As they have always militantly argued, their case is an independent case between them and Hartley only, unrelated to du Pont and to the issues and subject matter of the main action and not related to or affected by the judgment in the main action.

The law is established without *prior* conflict or discord that in order to authorize proper "intervention" (and this means the historically established and defined concept and application of intervention) the intervenor must have an interest in the *subject matter of the litigation*. This does not mean an interest in an incidental discovery or other collateral proceeding but in the very *crux* of the main action. Further, it is *not* every in-

terest in the *subject matter* that suffices, but a *very special kind of interest, i.e.*, "*of such a nature* that he will *gain or lose by the direct legal operation of the judgment.*"

Pure Oil Co. v. Ross, supra;
Dowdy v. Hatfield, supra;
Kelley v. Sommers (10th Cir.), 210 F. 2d 665;
Peckham v. Ronrico (1st Cir.), 211 F. 2d 727;
Sutphen Estates v. United States, 342 U. S. 19;
35-A C. J. S., Federal Civil Procedure, Sec. 135, pp. 216-217;
(And see Petition, pp. 17-18).

Among several misstatements, most of which are unworthy of comment, respondents state (p. 16) that Hartley's California state court action against respondents, which includes the same subject matter and issues respondents seek to litigate by their "intervention" in the main action, and which was filed on January 17, 1962, was allegedly filed four years "after intervention." This is not true. As noted in the petition, the Court of Appeals vacated a prior disclosure order (requiring Hartley to disclose to du Pont in the main action) in 287 F. 2d 324, decided on February 10, 1961. Du Pont then commenced new discovery proceedings which resulted in the new disclosure order (which is the subject of 17799) dated January 1, 1962. *Sixteen days* thereafter Hartley commenced the California state action (see Pet. pp. 10-13).

In their "Conclusions" (p. 29, second paragraph) respondents show their deliberate misstatement of the status of the case and issues. They state that when a district court takes "possession of property for purposes of *disposition* and *control*" and the property "does not belong to any litigant," the court then acquires "ancillary jurisdiction to hear and to determine all questions respecting *title, possession* and *control* of that prop-

erty." *That is not this case at all.* Further, respondents cite no authorities.

The District Court did *not* take "possession" of property for "the purposes of disposition or control." It has merely made a discovery disclosure order with protective measures in the main action. It is *not* true that the property, *i.e.*, the trade secret, is involved in the main action. Respondents have repeatedly conceded this. *There is no issue of title, possession, control or interest in the trade secret involved in the main action.* Further, it is not true that the trade secret, if it was "property" in any relevant sense, did not belong to any litigant. *Hartley has substantial right, title and interest therein as a licensee and was required to use it in anticipatable litigation resulting from its use thereof.*

Conclusion.

The simple status of the case is as follows:

The *sole* issue in 17741 was whether an appealable order was involved. It was *not* and the Court of Appeals so held in 318 F. 2d 485. The *sole* issue in 17799 was whether du Pont had shown "good cause" for the disclosure, as specified in 287 F. 2d 324. This issue was solely determinable by the record before the District Court. Since respondents' rights to intervene are conceded by them to be dependent only upon a final disclosure order, a final determination of 17799 is a condition precedent to intervention in any event and to the determination of 18180. The *sole* issue in 18180 was whether the respondents *properly* intervened within the leave granted them by the District Court's order of July 31, 1961. There was no question of *the right to intervene*, since this had been determined in 275 F. 2d 52. *Thereafter* the District Court *granted leave to intervene* but it *defined the scope of this intervention* by its order of July 31, 1961 (the oral order followed by written order as of same date signed September 11,

filed September 21, 1961). That order became and is final. As noted, respondents elected to accept that leave and are bound by it.

Respondents have not denied or contradicted the petition. On the contrary, the substance of their contentions shows the urgent need for this Court's review of this case.

For the grounds and reasons stated in the petition, Hartley urgently prays that its petition be granted.

Dated: November 1, 1963.

Respectfully submitted,

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